The Accountant

RECOGNIZED WEEKLY ORGAN FOR CHARTERED ACCOUNTANTS AND ACCOUNTANCY THROUGHOUT THE WORLD

GENERAL INDEX

VOLUME CXXIV [New Series] - JANUARY to JUNE 1951

GEE & CO (PUBLISHERS) LTD

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FROM JANUARY TO JUNE 1951

VOL. CXXIV [NEW SERIES]

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Printed and Published in Great Britain by Gee & Co (Publishers) Ltd, at The Priory Press, London Road, St Albans, Herts

The Accountant

ESTABLISHED 1874

6TH JANUARY 1951 VOL. CXXIV NO. 3968

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PROSPECTS FOR 1951

IN considering the prospects for 1951, the first question which comes to mind is, 'What effect will the rearmament programme have upon the economic life of the country?' Any attempt to answer such a question involves certain assumptions. In the first place, one must assume that the present degree of international tension will continue to the extent that the long-term plan of rearmament already announced will be adhered to. There may, of course, be some quickening of the pace. One of the most potent factors in determining the economic situation in this and many other European countries (at least for the past three years) has been the degree and nature of American aid. During 1951, the United Kingdom will receive no more Marshall Aid when the goods in the pipeline have arrived. Any defence aid which is forthcoming is more likely to take the form of specific commodities rather than free dollars. It may be difficult to secure acceptance by Congress of the Gray Report.

Last September the former CHANCELLOR told the Commons that the final figure for the 1950-51 defence estimates would not be less than £850 million and there was no chance that next year's estimates would fall below £1,000 million. This information was supplemented by a speech from MR. GAITSKELL towards the end of November last, in which he forecast that defence expenditure in the next financial year would exceed that in the current period by at least £300 million. So far there is no evidence that large supplementary estimates will be put before Parliament. It is probably reasonable to conclude, therefore, that in the current financial year which ends on 31st March, defence expenditure will not greatly exceed £800 million. For the next financial year, expenditure may be of the order of £1,050 to £1,100 million.

Two direct aspects of this expenditure require to be considered—its impact on production, exports, capital expenditure and consumption, and its financial implications. Indirectly, expenditure of this magnitude will greatly add to inflationary pressures.

When the rearmament programme was first announced there was a concensus of opinion that its demands could largely be met by increased productivity. An article in *The Accountant* put forward this view. More mature consideration has, however, disposed of this belief, and along with it has gone the idea that new burdens of taxation will be unnecessary. In the debate on the Address held at the beginning of November, MR. OLIVER LYTTELTON suggested that the annual output of the industries most nearly concerned with rearmament was of the order of £2,300 million a year. If defence expenditure in the next financial year is to be £300 million higher than the current rates,

some £250 million will be spent on additional equipment. This, in fact, will be the equivalent of about £300 million additional production since payments lag behind production. This £300 million represents about 13 per cent. of the annual rate of output of the industries most affected. During the first three quarters of 1950 production in these industries was rising at a rate of 8 or 9 per cent. per annum. The bulk of this increase came from the motor vehicle industry. Even if this rate of increase were continued it would not meet defence requirements. Clearly, however, it cannot continue; bottlenecks are bound to arise through shortages of components, labour will not easily move from one industry to another, and shortages of some important non-ferrous metals have already appeared. These shortages are due mainly to stockpiling for defence purposes by U.S.A. and other countries, and for that reason may tend to disappear as 1951 progresses. Nevertheless, they are bound to have important damping effects on production of engineering equipment this year.

The Minister of Supply has said that it may not be possible for the motor industry to increase its output in 1951 above the 1950 figure. This will be particularly unfortunate since this industry has provided the greatest increases in productivity and the lion's share of exports. The conclusion to which one is inevitably led is that if defence production is up to schedule during the year, some contraction in the supply of consumer goods to the home market and an appreciable reduction in the volume of exports must occur.

This forecast fall in exports need not, however, be taken too seriously. The United Kingdom must have had a sizeable surplus on its balance of payments account for 1950. Moreover, sterling is to-day an undervalued currency and export prices could rise by a few per cent. without reducing the demand for British goods. A favourable trade balance, whilst desirable in many ways, does add to inflationary pressure. This reduction in the volume of exports, especially if accompanied by a rise in their price, need not presage a disastrous fall in imports. In fact, imports of raw materials and foodstuffs should be well maintained (in spite of the fact that Marshall Aid has ceased). Some reduction in supplies of consumer goods to the home market is, of course, to be expected, particularly those made by the metal and engineering industries. A decline in the amount of capital equipment available for consumer, capital and export industries is not improbable since defence production will have first call on the machine tools and similar equipment coming on to the market.

The greatest threat to the economy will come from the growing inflationary pressures. The size of the defence programme is a formidable element in this. Then there is the rising cost of living which gives great force to the many wage claims at present outstanding. This increase is bound to continue; retail prices have by no means felt the full impact of the soaring prices for raw materials. In fact, such increases as have occurred during 1950 have been largely due to the effects of devaluation. One can expect, therefore, that wage increases will be appreciable during the coming twelve months; the substantial rise recently given to engineers is likely to be followed in other industries. Added to these factors will be a gradual diminution in the supply of consumer goods to the home market and the consequent scramble for these restricted supplies. Rather more than a year ago we were promised some economies in Government expenditure, particularly in relation to the health services. Little came of these promises. Nor can we expect under present conditions that such savings will be made. The country is therefore faced with the prospect of increased taxation in the next Budget. Not only will it be necessary to cover the additional defence costs; it will also be prudent to plan for an appreciable surplus in order to contain inflationary pressures. Added to this, there is every prospect of a steady increase in the cost of living. Thus, living standards for at least a section of the community are bound to fall during the year, both on account of higher taxation and increased prices. But as Mr. Gaitskell has said,

> 'the cold war is real, its cost is real, and we have to help to pay for it'.

It is to be hoped that these necessary burdens will be fairly shared by all sections of the community. If the choice between an increase in direct taxation, or a reduction in social benefits, were offered, it is not lmprobable that the majority would choose the latter. Taxation which reduces the volume of savings, will, moreover, have no deflationary effect.

THE SCOTTISH AMALGAMATION

THE amalgamation of the three Scottish societies of chartered accountants ends an important chapter in the history of the profession.

Although the calling had long been recognised —GEORGE WATSON, thought to have been the first professional accountant in Scotland, was born in 1645—it was not until early in 1853 that the first move was made 'to bring about some definite arrangement for uniting the professional accountants in Edinburgh'. After a number of preliminary meetings, the Institute of Accountants in Edinburgh was formed. In the following year, a petition and draft charter were presented to Her Majesty QUEEN VICTORIA, and the Royal Warrant for the incorporation of the Institute under the name of The Society of Accountants in Edinburgh was given on 23rd October, 1854.

The evolution of the Institute of Accountants and Actuaries in Glasgow was similar. It was formed late in 1853. The Royal Charter was applied for in the following year and was granted on 15th March, 1855. The last of the three bodies, the Society of Accountants in Aberdeen, was started in 1866 and incorporated by Royal Charter in 1867. Apart from a General Examining Board, established in 1892, which co-ordinates the rules for admission of members and sets a common form of examination, each of the three societies during its long history has been completely free to manage its own affairs.

In the smaller world of Victorian and Edwardian times, this independence was admirable but with the problems of the accountant in practice becoming ever more complex and the status of the accountant in industry and commerce continually growing in importance, it has come to be realised that the existence of an organisation through which the Scottish societies may act 'promptly and with one voice' is a necessity.

Proposals for a complete amalgamation, which have been under consideration for some time, were submitted at preliminary meetings of the three societies, held last November. The Edinburgh and Aberdeen societies agreed unanimously, but at the Glasgow meeting a poll was demanded and recourse had to be made to a postal ballot before the necessary three-fourths majority of members voting was obtained. At confirmatory meetings held last month the resolutions for amalgamation were formally passed.

The machinery for the merger has given rise to a number of problems of precedence and prestige. It was eventually decided that as the Charter of the Edinburgh Society is the earliest granted to any body of accountants, it should be preserved. The amalgamation will therefore be effected by a petition for a Supplementary Royal Charter and the surrender by the Glasgow Institute and the Aberdeen Society of the Royal Charters granted to them in 1855 and 1867 respectively. The Supplementary Royal Charter which has now been presented to the Privy Council craves authority for the Edinburgh Society to change its name to The Institute of Chartered Accountants of Scotland and to absorb the membership and funds and assume the liabilities of the other two societies.

The apparent extinction, by this arrangement, of the distinctive traditions of the Glasgow Institute, numerically and financially the strongest of the three societies, coupled with the fact that the headquarters of the new Institute are to be in Edinburgh, had doubtless much to do with the reluctance of, or refusal by, many Glasgow members to support the resolution. It is considered by the majority, however, that any loss of local character, upon amalgamation, will be more than offset by the accession of collective strength and freedom of quick action.

It is not expected that the Supplementary Royal Charter will be granted before May, 1951. While then, it is a little early officially to hail this new and formidable blend of Scottish talent, we pay the passing tribute of a sigh to the three societies who, over a span of nearly one hundred years, have done so much to raise the profession to its present status. And to these individual members who rue, with commendable loyalty, the passing of the more local tradition, we would say that to all born on the other side of the border, a Scottish chartered accountant will continue, as before, to command the highest respect, not because of his allegiance to this or that society, but because he is—a Scottish chartered accountant.

INTERNAL AUDITING
A TOOL OF MANAGEMENT

by J. O. DAVIES, F.C.A., A.C.W.A.
Chief Internal Auditor, National Coal Board

Introduction

THE principles of modern management which are essential to output and efficiency have been developed very largely during the last fifty years. This does not mean, of course, that good management did not exist before this period commenced. What it does mean is that over comparatively recent years a scientific study has been made and is still being made of these principles so that a well-defined philosophy can be expounded, and the correct place of technical knowledge and human relationships can be seen in the scheme of things.

Modern internal auditing was born some fifteen years or so ago, and is, in fact, a child of modern management. It supplies reliable data, the analysis of which may lead to remedial measures, the institution of economies and the determination of standards of performance.

Before considering in detail how the work of the internal auditor can aid management it is necessary to examine separately the nature of management and that of internal auditing.

The Nature of Management

In the report of the Special Committee appointed by the Minister of Education to advise on educational facilities for management in industry and commerce (usually known as the Urwick Report) management is defined as 'all those activities involving responsibility for the work of others'.[1] This, of course, covers a very wide range from the general manager down to the chargehand or foreman.

The field of general management can also be divided into several specialised functional aspects, the major ones of which are production, purchasing, transport, marketing or sales, finance, personnel and office.

Col. Urwick has said:

> 'Management is a word concealing an intricate tangle of actions and reactions. One of the main actions underlying this work is co-ordination.'

In this respect, management, in order to secure the immediate and long-term objectives of an organisation, ensures that appropriate action is taken after assessing the importance of the advice it receives from experts in their own particular field. Management is, therefore, the invisible control that binds together the several activities of an organisation into one operating whole.

Finally, I quote a definition of Sir Charles Renold, the Chairman of the British Institute of Management—'Management is the use of certain techniques'[2]—and it is this aspect of management with which this paper is principally concerned.

The Nature of Internal Auditing

Mr. Robert H. Montgomery, a former President of the American Institute of Accountants, has defined auditing as a

> 'systematic examination of the books and records of a business or other organisation, in order to ascertain or verify, and to report upon, the facts regarding its financial position and its financial operation'.[3]

Dr. Brink, a former Chairman of the Research Committee of the Institute of Internal Auditors, says that

> 'basically, internal auditing is part of the field of general auditing and subject to its main tenets and principles of practice'.[4]

and that

> 'it involves a systematic verification and constructive analysis of the accounting and financial aspects of the company's operations'.[5]

Major internal audit purposes

It can therefore be considered that the major internal audit purposes can be subdivided as follows:

(1) Verification of the accuracy and integrity of the financial and accounting records and of the related reports and statistics emanating therefrom.

(2) Ascertainment that the standard accounting

[1] Ministry of Education: 'Education for Management.' H.M. Stationery Office, 1947.

[2] Sir Charles Renold, J.P. 'The Nature of Management'—Occasional Papers No. 2, British Institute of Management.

[3] Robert H. Montgomery, 'Auditing Theory and Practice' (New York. The Ronald Press, 5th Edition, 1934), page 3.

[4] Victor Z. Brink, 'Internal Auditing' (New York. The Ronald Press), page 4.

[5] Ibid, page 19.

practices of the organisation are being adhered to.

(3) Ascertainment that there has been proper authority for the acquisition of, retirement and disposal of the assets of the organisation.

(4) Ascertainment that liability has been incurred only in connection with the legitimate operations of the organisation.

(5) Analysis and improvement of systems of internal check.

(6) Prevention and detection of fraud.

(7) Special investigations for management.

(8) Examination of the protection afforded to assets and the propriety of their use.

(9) Clearing house or conduit for new methods.

The appraisal function

It will be seen that in many respects the work of the internal auditor exceeds the boundaries of what is generally considered to be 'pure' auditing; his value lies in the thorough investigation that he makes based on complete knowledge of the policies and practices of the organisation. A substantial part of his activity consists of appraisal, i.e. observing everything that he comes in contact with during his normal duties and at all times considering the possibilities for improvement. It should always be clearly understood, however, that the review and appraisal of the internal auditor does not relieve supervisory personnel within the organisation of the responsibilities assigned to them.

It has been said that the internal auditor should use 'mental bifocals' to enable him to see through the lower half of the spectacles, the figures from a purely verification aspect, and, through the upper half, the figures from the operational significance.

An internal audit department applying modern auditing techniques is therefore one of the groups employed by managements to check the reliability of the information on which it acts. A trained staff is charged with the task of making objective examinations of methods and procedures in order to evaluate the effectiveness of their application. The function of the internal auditor is, therefore, to investigate, report and advise, thereby assisting management in co-ordinating the performance of the organisation with its objectives.

Comparison with the external auditor

The functions of the internal auditor should not be confused with that of the external auditor, and it is necessary to pause to examine the difference. The prime purpose of the external auditor is to ascertain and certify that the published accounts of an organisation are compiled in accordance with statutory regulations and with generally accepted accounting principles and conventions so as to give a true and fair view of the financial position and operating results. Although there are common objects, the function and therefore the approach of the internal auditor differs from that of the external auditor. The function of the external auditor is quasi-judicial whilst that of the internal auditor is administrative; the external auditor's approach is through the balance sheet and accounts, whilst that of the internal auditor is through the organisation chart. It is from organisation charts that weaknesses in internal check may often be detected through careful examination and the audit programme expanded accordingly.

Comparison with the management consultant

The functions of the internal auditor should likewise not be confused with those of the management consultant, and it is necessary to pause again to examine the difference. Management consultants are usually called in to review organisations when matters have gone seriously wrong and there is grave need for prompt attention or when new procedures are to be designed. When the management consultant has concluded his assignment and reorganised the undertaking, the internal auditor from time to time reviews the position to ascertain that the system designed by the management consultants functions according to plan. The functions of the internal auditor, have, therefore, in this connection been compared with those of the oriental doctor whose business it is to examine the patient at regular intervals so that a good standard of health may be maintained constantly and to suggest preventive steps as soon as weaknesses show themselves.

The Need for Internal Auditing

The size of most organisations in these days makes it impossible for top management to exercise direct supervision. Because of the wide separation between operational units and headquarters, it is difficult to form at headquarters true assessments of situations. It is, therefore, necessary to substitute for the old individual judgment exact scientific investigation.

Management must have assurances that the policies and regulations that have been laid down

are put into operation in the way they intended. The new agency called internal auditing is used by enlightened managements to bridge the gap by serving as an independent check on the accounting and other operations of the organisation.

The need for internal auditing can best be described by an analogy from the engineering world. In a modern power plant, designed to be completely automatic in operation, it is still considered to be necessary to place it in the charge of a technically trained engineer whose duty it is to watch and maintain it. To guarantee the proper functioning of the system of internal check and to prevent breakdown, management must rely on internal auditing, recognising that no system of internal control is complete without internal auditing. As all transactions are reflected in the books of account the audit of records brings to light many facts of value to managements which cannot easily be secured from other sources.

Examples of Aids

In order to illustrate the practical application of the philosophy and principles that I have so far been endeavouring to describe, it would now appear appropriate to give some examples as to how internal audit reports can aid management. This seems to be an appropriate stage to state that in this paper I am stating my personal views.

Accuracy of financial statements

Modern management makes great use of financial statements in arriving at decisions, and it is important that the internal auditor should report on the basis on which these statements are prepared. Such matters falling under review are: (1) The soundness of the build-up of the standards where standard costs are in use. (2) Verification of the accuracy of explanations offered for variations from standard. (3) The assessment of the adequacy and accuracy of the primary records and reports from which financial statements are produced.

In addition, the internal auditor often undertakes investigation into the reason for fluctuating costs.

Inventories

Continuous stock-checking is often effected under internal audit control. Apart from physical verification and comparisons with records, observations are made on stocks which show evidence of deterioration, stocks which are not properly protected from the effects of the elements, stocks which appear to be excessive, obsolete or slow-moving. Comment is also made on the arrangements made to restrict access to stock by unauthorised persons and also on the general condition of the stores. Investigations are carried out into the reasons for fluctuations in stock-holdings.

Valuable information is therefore placed in the hands of production management.

Purchasing procedures

An organisation can lose money through badly-formulated purchasing procedures. Aspects which are important to management are: (1) The way the purchase order price is established, i.e. are written tenders secured, are goods bought in the most economical quantity? &c. (2) The control exercised over the issuance of purchase orders. (3) The nature of the information disclosed by purchasing records, and in particular if the volume of orders placed with any one supplier is clearly shown.

Protection of assets

The protection of the assets of the organisation is one of the functions of management. Suppose at one of the accounting points a burglary has occurred, because of inadequate protective arrangements, and the management wishes to assure itself that similar circumstances do not occur elsewhere. Most of the information desired will have been covered in internal audit reports, and where any information is lacking it can be quickly obtained through immediate assignment of the internal audit staff.

Labour relations

Attention might be drawn during an audit visit through the examination of the payroll to the high labour turnover in one department compared with other departments, thus leading to management action where necessary.

A critical study in an internal audit report of the volume and incidence of overtime working, covering the cause of such overtime and its effect on those persons concerned, will sometimes shape management policy in relation to this vexed question.

Customer relations

An agreeable relationship between supplier and customer is extremely important to all organisations. Many aspects of marketing or sales operations fall under audit review and one of these affecting customer relations will now be illustrated.

An examination of the copies of invoices issued may reveal that these contain a very high proportion of corrected invoices. Statistical figures quoted in the internal audit report showing the ratio of errors made to total invoices and analysis of the causes will enable management to take appropriate action to remedy the position so as to avoid customer annoyance.

Maintenance of standards of performance

Internal auditors have an opportunity to study the records of numerous sections undertaking the same kind of work within a particular organisation. The general standard of efficiency of performance can be raised by the transmission of methods from the more efficient sections to the less efficient, for which transmission the internal auditor forms a connecting link.

Review of work burden

It is very difficult to compare the efficiency of one wages office with another. A straight comparison of numbers of staff with numbers of workers is often misleading. Such matters as the age and sex of the staff, the extent of the use of mechanical aids, the organisation of the work itself, have to be assessed before the true position can be ascertained. Members of an internal audit department may occasionally be assigned to carry out such investigations because of their knowledge of the work burden of many offices and of the load that should be carried by a reasonably competent office worker. Such reviews, as well as enabling management to review the disposition of their staffs, with more effective deployment, also lead to better organisation and the greater use of mechanical aids.

Selection for promotion

In a progressive organisation management is always on the lookout for staff of ability for the implementation of their promotion policy. In a large-scale organisation the danger is that able employees may become pocketed in particular jobs and that they are consequently not given the opportunity for promotion that their special abilities or application to work merit. It may be that an able man is essential to a superior lacking in ability and that this superior's one desire is to deny him advancement. In some cases a superior refuses to pass a constructive suggestion to higher management or to approve a suggestion, with the effect of frustration on the initiative of the originator; the internal auditor operating between headquarters and the field offices has, therefore, an opportunity in his report writing of earmarking him for promotion by commenting favourably on his work. Where management seeks an opinion as to the merits of rival candidates for promotion, the internal audit department through its chief is very often able to state a viewpoint based on first-hand knowledge of the work of all candidates.

Effectiveness of the channel of information

The internal auditor can render assistance in the correction of defects in the avenues of information. It sometimes happens that somewhere in the organisation there is an absence of knowledge of the existence of a certain policy because the channel of information has become diverted or silted up. It is therefore necessary that headquarters should be informed of the effectiveness of the organisation which it has established to disseminate information and instructions.

General

It is possible, of course, to continue to quote examples, but it is considered that sufficient examples have now been given to illustrate that the ways in which the internal auditor can serve management are many. The position may be summarised by stating that it is the duty of the internal auditor to safeguard the funds, earning power and goodwill of the organisation by calling the attention of management to any situation which if it had been permitted to continue could have been very costly.

The Internal Auditor as a Spreader of Goodwill

If the internal auditor is acquainted with the reason behind procedure he can, when the organisation's policy is attacked, defend the policy by explanations and information. One of the major weaknesses in large-scale organisations is the failure of top management to be understood at lower levels. The internal auditor will have many opportunities of demonstrating the advantages derived from following the organisation's procedures without any deviation. If the procedures are wrong the surest way to get them amended is by following them implicitly.

Support for the Internal Auditor

It is, therefore, the responsibility of management to make appropriate arrangements to see that line executives understand the functions of internal audit. Furthermore it should be made

clear that the success of an internal audit department depends to a large degree upon the co-operation of those executives.

If the activities of internal audit are confined to accounting and financial functions, other departments are deprived of the means of securing independent analysis and appraisal of conditions, or conversely are compelled to institute an investigation staff. Systematic investigation usually starts from an examination of detailed records and, therefore, falls naturally within the internal audit field. Moreover because of his special training the internal auditor can summarise situations in a clear and concise form.

It is important to remember that generally more material is amassed than is used in the report, and this constitutes a further reservoir of information upon which management can draw and which will form the basis of additional reports.

Although the internal auditor may report to top management he should always be ready to serve all levels of management from the functional director down through the departmental field to the supervisor.

As the ultimate function of the internal auditor is to assist management in co-ordinating the performance of the organisation with its objective, it appears appropriate to quote the words of Kipling:

> 'I keep six honest serving men
> They taught me all I know,
> Their names are Why and What and When
> and Where and Who and How.'[1]

There is no doubt that the internal auditor in reporting can make a big contribution in this connection.

Development of Expertise by Internal Audit

The internal audit department in many large organisations includes on the staff, personnel with many qualifications for examining problems. Some have had their previous training in general accountancy, cost accountancy, office organisation, investigation work, &c. Whilst no internal auditor can be the repository of all such knowledge, a well-balanced staff will contain personnel with the necessary experience, thus creating a group or collective power constituting a reservoir for management to tap. The problem is, therefore, the simple one of allocating to the assignment the person or persons whose experience and outlook are most suitable.

It is emphasised, however, that the internal auditor has his limitations. Even if he is alive to opportunities, qualified to meet them and furnished with the power to report fully on them, his value to management must be bounded by technical deficiencies in other fields than accounting. He cannot hope to have had the practical training of an engineer, nor the scientific knowledge of the scientist, nor the understanding of human relations such as that possessed by labour and welfare officers.

The aim within an internal audit group, in its effort to serve management in all the ways that it can, should obviously be the development of its own personnel through a dissemination within the group of the experience of all members.

This can be achieved either through conferences or the circulation of case studies. Inherent in the conference idea is the assumption that every member has something valuable to contribute to the occasion. The conference is an excellent training method when the group as a whole has all of the knowledge and experience required but there is need for exchange of information. Case studies constitute detailed reports on investigations that have been made; references to persons, positions and locations are removed to preserve anonymity. They carry weight because it is known that the cases described are not hypothetical ones.

Development of the Internal Audit Function as a Tool of Management

It should be remembered that the usefulness of a tool depends upon complete knowledge of what the tool will accomplish, and also the degree of skill that is applied to the tool.

I therefore submit that internal auditors should now be considering the following questions:

(1) What are the more important aspects of the work of internal audit from the viewpoint of management control?

(2) How can internal audit increase the effectiveness of management control?

With great respect I submit that management should also be considering a series of questions as follows:

(1) How can more effective co-operation between management and internal audit be developed?

(2) What relationship should exist between internal audit and the various operating departments?

(3) What special problems are faced by management to the solution of which internal audit can make a contribution?

[1] Kipling, 'The Elephant Child'.

FIXED ASSETS

Accounting to Maintain the Productive Level of Industry

by A. A. PAKENHAM-WALSH, B.A.(Econ.), A.A.C.C.A.

Technical revaluation of assets on replacement cost lines has no relevance in the accounts of a continuing business. The maintenance of real capital is satisfied by the purchasing power criterion and does not call for the physical correspondence between existing assets and their replacements which is implied in such a revaluation, but does demand attention to the monetary influence on the asset values in which depreciation funds are invested.

THE high taxation and the steeply rising price level of the years 1938-50 have revealed a shortfall in the funds accumulated to maintain the productive powers of industry. This shortfall has called into question the accounting methods of computing profits and, in particular, the bases of the provisions made for depreciation.

It is possible to agree readily that there is an urgent need to review the conventions on which profits are computed and to reconsider the methods of financing the purchase of new fixed assets. Lest, however, the hasty prominence of revaluation makes it appear as a cure for all ills, it is essential to undergo the discipline of looking at the case history of the subject and to diagnose what underlies the symptoms of insufficient financial resources for the purchase of new assets. In order, further, that so drastic a prescription as revaluation may not turn out to be a major operation for what was only indigestion, it is necessary to undergo the even sterner discipline of justifying the objectives aimed at by revaluation.

The Case History

The pressure of events since 1945 has brought home the truth of the economic contention that profits include an element of capital[1] when account is not taken of changing prices. Taxes fall basically on what industry reports as its profits[2] so that, during the war and post-war period of rising prices, orthodox accountancy unwittingly handed over to the United Kingdom Revenue a part of industry's capital. This loss of capital has come to the surface in the concern shown by company chairmen about the finance needed for asset replacement.

Maintaining Capital Intact

The capital maintenance question extends, of course, far beyond the conservation of the capital invested in the so-called[3] fixed assets. It is interesting to note, for instance, that the topical call for supplementary depreciation provisions to finance the replacement of fixed assets, has not been accompanied by a corresponding call to meet out of profits the additional finance required to carry stocks of higher-priced materials and to support the money inflated debtors' balances.[4] One could go further and wonder about restoring the real capital lost through investment in cash balances and in government securities and in other money debts; but the passing reference here to the more general problem must be ended with a query against this inconsistency and the article returned to fixed assets.

Diagnosis

It will be noticed that (real as opposed to money) capital is lost (or gained) when there is not recovered out of profits a provision for depreciation equal to the current price of the *quantum* of asset values used up in production. The prevention of future disorder lies in the correction of annual provisions for depreciation.

If economically correct provisions were made for depreciation, funds are currently provided to replace (eventually) by new assets the asset values (not the assets themselves) used up. The endurance of these funds until the time of purchasing the new assets is a matter of investment.

REVALUATION

Objectives

A revaluation of fixed assets may be expected to cover any or all of the following objectives:

[1] Negative in a period of falling prices.

[2] It has been argued that the Revenue would not grant wear and tear on a replacement basis; but the point is that the Revenue cannot be expected to be ahead of accounting practice. In other countries notably Sweden and the U.S.A., materials consumed may be charged on a current cost (LIFO) basis; and, in Sweden, the depreciation provisions made in the books are deductible from taxable profits.

[3] As Harry Norris has pointed out, there is not any real significance in the division of assets into fixed and current since, given the level of business activity, capital is as effectively tied up in current assets as it is in fixed.

[4] To some extent it will be argued that this finance is provided by the creditors. In reply it is fair to ask, but are the creditors then not supporting in some degree also the financing of fixed assets?

A. *Attribution*

An attribution of values to individual items where a detailed inventory has not previously been kept.

B. *Book value for a going concern*

A check on the net total of the book values as where a business is being purchased or is involved in a financial reorganisation, whether a detailed inventory has been kept or not.

C. *Capital maintenance*

A comparison of (*m*) the money required for replacing the sum of the asset values used up with (*n*) the net total accumulation of the provisions for depreciation in order to see whether real (as opposed to money) capital has been, or is being, maintained intact.

D. *Depreciation measurement*

To provide a basis for measuring, in terms of current values, the estimated depreciation occurring through use of the assets in producing current income or profits.

E. *Economic significance of balance sheet figures*

To meet the objection that a fixed assets total is meaningless which is arrived at by simply adding together pounds of pre-1913 vintage, 1919-39 mixture and post-1945 grades.[1]

Having listed the objectives it is relevant to inquire to what extent each is valid and, if it is, in what way a revaluation should be carried out.

A. Attribution

When the costs and dates of acquisition or construction cannot be traced, there is no alternative to appraisal by professional valuers; but, when a valuation of items has been made, it does no more than present a case, ripening with the passage of years, for reconsideration under any or all of B, C, D and E.

B. Book Value for a going concern

A check may be made on the book values in order to allow for (1) the inclusion of non-existent, useless or obsolescent, items; (2) deficient or excess provision for depreciation when the actual physical state of the assets is considered and the useful lives remaining to them assessed; (3) price changes which have occurred since acquisition or construction of particular assets.

Taken together, these provide a prima facie case for appraisal by professional valuers, working from a physical stock-taking.[2] Where a business is being purchased or is involved in a financial reorganisation, this prima facie case is reinforced by commercial caution as professional valuation seems the only safeguard. Where the check on book values is required in a continuing business, the prima facie case is weakened by the considerations to which attention is directed below or else the nature of the check required really conforms to objective C, D or E.

Considerations which weaken the case for appraisal by valuers in the case of a continuing business

A continuing[3] business must face the inexorable fact that bygones are forever bygones and, as a corollary to this, that it is a waste of effort attempting to control, cost or value what is not susceptible to that particular remedy or treatment. Obsolescence is a matter of degree. If the degree is great enough, the technical man[4] will shift the obsolescent unit; or, more correctly, he will shift the responsibility of replacing it to the management by reporting its obsolescence. Whether it is worth substituting an up-to-date unit depends on the expected net product[5] of the new unit viewed in opportunity relation to the diminution of working capital involved in its purchase. The balance sheet value of the old unit is entirely irrelevant. The old unit has an (economic) cost advantage over the new in that interest is not one of its costs (unless it has a significantly large scrap value which is unlikely in the case of buildings and plant specific to a particular business). In other words, once an asset is purchased which is specific to a business, the purchase money is irretrievable—and fixed assets by their nature are mostly specific.

This applies to the new unit as much as to the old; and *ipso facto* to the ones in between which are partly amortised by provisions for depreciation.[6]

The purchase price[7] of fixed assets is then as good or as bad as record of value as a revaluation even on an earning power or going-concern

[1] Such an addition is as economically invalid as it would be financially invalid to add together £1,000, $5,000 and Fr. 10,000 to produce an arithmetical total of 16,000.

[2] The checking against (1) runs from simple stock-taking for non-existent to technical competence for obsolescent items.

[3] And therefore normally expanding.

[4] It is a reasonable assumption that the efficient technical man (1) knows his plant and equipment intimately and (2) is *au fait* with outside developments.

[5] That is gross value of its production minus running costs and interest on the purchase money.

[6] The fact that the income produced by assets in use leaves a margin out of which provisions can be made for depreciation indicates that the assets are fulfilling their purchase expectations.

[7] Whether amortised by depreciation provisions or not.

basis, because of the fleeting glimpse nature of an earning power assessment.

Earning power assessment

To assess earning power, a valuer would require to know not only the techno-physical capabilities of the assets but also the costs of feeding, running and upkeep as well as the value of their product. The vital factor in such a valuation is the net expression of these things in terms of profit. Records of past profits are altogether insufficient; what is wanted is the profits expected in the future—what the assets *are going to earn*.

Assuming that the requisite combination of accounting, economic and technical knowledge can be brought to bear, any attempt to assess expected future earnings of existing assets has relevance to the type case only of businesses changing hands. The main hazard in purchasing a business is whether the expectations as to earning power will be fulfilled: a valuation is done at a moment of time to minimise this hazard. In a continuing business, such a valuation is impliedly made with every new asset which is purchased,[1] but there is no point in repeating the valuation as to that asset or as to all the assets because the revaluation itself goes out of date next day with the inevitable change in prospects[2] for both the business itself and for business in general. To-morrow, all is changed.

Correction of depreciation rates

From this reasoning it follows that, once an asset is installed and put into use, depreciation ceases to have significance as a cost. Attempts to measure depreciation become attempts to prove whether the asset is fulfilling the expectations (held at the time of purchase) of its earning power and of the state of business during its life.

To discover then by a revaluation whether the rates of depreciation being used are correct is unnecessary because, first, this involves a new series of estimates as to expectations over usable lives 'requiring' similar future correction, and, second, depreciation of an installed asset takes place from the moment of installation, and is thenceforward unavoidable and does not in any case influence product prices thereafter.

C. Capital Maintenance

In order to see whether the real values invested in a business by its owners are being maintained intact, it is often argued that a comparison should be made of (*m*) the money required for replacing the sum of the asset values used up, with (*n*) the net total accumulation of the provisions for depreciation, and for (*m*) a computation is required of the replacement value of the assets in use. Now, in the first place, some of the assets are possibly in use because it pays to operate them since no depreciation or interest costs are involved.[3] When they are worn out, operations of that particular kind might cease altogether because simple replacement by a new asset would mean actual dissipation of capital were the depreciation and interest costs of a new asset only partly recoverable out of its expected product. In short, some assets may not be economically worth replacing at all. This is admittedly a side issue, but it serves to open the demonstration that the capital maintenance test calls for much more than a knowledge, however professional, of replacement values.

It is commonly supposed that the figure in the books for (*n*) denotes the resources accumulated to replace the asset values used[4] up in earning *past* profits, but does it? Accumulated provisions for depreciation will not themselves buy plant and machinery. Money is needed; and, although provisions in the past meant that cash was retained which would otherwise have been paid away in dividends, the funds retained each year were not earmarked to travel with the accumulating provisions.

The £35,000 set aside out of the 1935 profits may have started as a cash balance, but by 1936 it had disappeared perhaps into government securities and by 1939 possibly, through working its way up the balance sheet, into fixed assets, there to be joined in later years by other amounts which had followed the same uncharted path. Accounting practice[5] in this regard poses a philosophical problem, because the resources originally set aside in cash become distributed in an unknown way over cash, securities, stocks of materials, fixed assets and other investments.[6] But this is not all. Not only have those resources changed their form but also their amount. On the one hand, over the last ten years about one-half of the real values invested in cash and

[1] Since it would not be purchased unless it was expected to return its purchase price.

[2] Every broker, manufacturer, merchant and trader will admit that if he had known yesterday what he knows to-day, he would have bought and sold differently.

[3] See the argument in B above under 'Earning power assessment'.

[4] It will be noticed that the desideratum of capital maintenance is served by having available the resources to replace the sum of the asset values used up and not for replacing the assets themselves.

[5] The accountant buys and sells with a single purse unlike the lawyer who keeps a separate one for each purpose.

[6] For instance, in subsidiary companies.

money debts[1] has been lost as a result of the fall in the value of money. On the other, the portion of the resources invested in real goods, such as materials, plant and buildings[2] has increased in (money) value with the rise in prices.

The total purchasing power accumulated amongst the various kinds of assets is thus unascertainable. Had all the resources set aside from distribution been invested in stocks and shares only which rose in price as the value of money fell, the accumulated provisions for depreciation (n) would approximate to (m), the amount required to restore used-up asset values. Properly invested $(n) = (m)$.

The financing of the purchase of new assets, when the time is judged to scrap the old, is seen therefore to be a matter not of revaluation but of investment of the funds set aside from the earnings of the old.

The method of arriving at the annual sum to be invested is discussed in D which follows.

D. Depreciation Measurement

In order to be able to say whether a profit is being earned or a loss incurred, there must be recovered out of current income sufficient in terms of current values to replace the *quantum* of capital used up in production. This principle has its clearest application to stocks of raw materials,[3] but is just as appropriate to fixed assets. If not observed, reported profits include an element of capital and (real) capital is therefore not being maintained intact.

Where profits are reported annually, an estimate is required of the *quantum* of assets used up in each year's production. The basic factor in this annual estimate is an assessment of the useful life (l) of each fixed asset no matter by which system[4] of depreciation proportions (pp) of that life are to be allotted to the years of production ahead. When the useful life has been assessed, the recovery from each year's income is

$\frac{p}{l}$ (£ current price of the asset originally purchased).

The current price of the asset originally purchased can be obtained either (i) by applying to the original cost an index which indicates the ratio between prices in the year of purchase and those in the year of computation, or (k) from professional knowledge of current replacement costs.

Since, however, assets originally purchased are rarely available now in the same form (even if they were wanted, which is unlikely) replacement costs are unreal. Besides, the purpose of measuring depreciation in current terms is to justify a past investment in fixed assets and not to finance a future investment, which is a separate venture. The responsibility of the management to the owners is the preservation of their real capital in terms of general purchasing power and not in terms of specific assets.[5]

The (i) method is also superior because depreciation computed by reference to price indices conforms to the levels of business activity which in general rises and falls with the general level of prices, whereas a revaluation in, say, 1950 could perpetuate high[6] depreciation provisions into a period of falling prices and profits. There is, too, the point that the (i) method eliminates the element of external uncertainty arising from general business vagaries when using depreciation recoveries as a yardstick for justifying past investment.

Summary of conclusions

A revaluation of fixed assets by professional valuers is valid at a fixed moment of time only. Its usefulness is therefore limited to the case of a business changing hands. It is out of date the day after it is made, since it depends upon the expected earning power of the assets which change with business prospects.

The original costs of assets in the balance sheet are within the purchaser's estimate of expected earning powers at their respective times of purchase. Nothing is gained by substituting for these costs another set of values which in their turn are quickly out of date. If balance sheet values are to be revised, it is necessary to do so at least once a year. The price index method is a means of such continuous revision.

What is really important, however, is the recovery out of each year's income of the *quantum*, measured at current prices, of the asset values used up in production. If this recovery is made, the financing of the future purchasing of new assets is a matter for skilful investment of the

[1] Which include government, &c., securities as well as debtors so called.

[2] There is a wide field to be explored here because an increase above normal in this form of investment is referable to expansion rather than maintenance of activity.

[3] It is the main argument for the LIFO method of material pricing.

[4] Annuity, diminishing balance, machine hours, sinking fund, straight-line, &c.

[5] This point is a partial justification for a general price index rather than a price index limited to constructional goods.

[6] And unjustifiably high by the very hypothesis involved in making a revaluation.

funds recovered and not for revaluation on replacement lines of the existing assets.

Nor is it frank accounting to apply the label 'insufficient past provisions for replacement' to appropriations from present profits when

(*a*) sufficient provisions were made in the past but investment policy did not allow for or keep pace with the falling value of money; or

(*b*) it is not known what resources of purchasing power reside in the balance for asset replacement.

In connection with (*a*) it is probable that on balance in the years up to, say, 1940[1] sufficient provisions were made for depreciation; and, in more recent years, inadequate provisions 'above the line' were supplemented in most cases by reservations 'below the line'.

For computing current depreciation provisions the price index method has the advantage of being a perennial whereas technical appraisal is only a short-lived annual.

In the End

It is humbly acknowledged that this article does not carry the analysis very far but it may serve to show that the problem of replacement finance cannot be gauged by simple resort to revaluation nor consigned unopened to the accountant's refuge of recovery out of current profits.

[1] That is, before the continuous upturn in prices commenced.

WEEKLY NOTES

Our New Address

Our readers are invited to note that we are now in new premises. All communications for our editorial and advertisement offices should be sent to 4 Drapers' Gardens, Throgmorton Avenue, London, E.C.2. Telephones: Editorial offices, Monarch 4666-7; Advertisement offices, Monarch 0728.

The New Year Honours

We offer our congratulations to those members of the profession whose names appear in the list of New Year Honours.

Among the Knights Bachelor we note the names of Mr. Reginald Holmes Wilson, B.Com., C.A., Comptroller, British Transport Commission; Mr. Edwin Van-der-Vord Nixon, C.M.G., F.S.A.A., senior partner in the firm of Edwin V. Nixon and Partners, Melbourne, for public services, especially as Director of Finance, Ministry of Munitions, 1940-45; and Mr. James Lythgoe, C.B.E., F.I.M.T.A., City Treasurer, Manchester.

The C.B.E. is awarded to Mr. F. R. M. de Paula, O.B.E., F.C.A., for services to the Board of Inland Revenue; Mr. H. Brookshaw, O.B.E., A.C.A., Accountant-General, Ministry of Supply; Lt.-Col. C. G. Larking, F.C.A., F.S.A.A., lately chairman of the National Ex-Servicemen's Council, British Legion; and Mr. J. B. Frizell, B.L., A.A.C.C.A., Director of Education for the City of Edinburgh.

Incentives in Building

When an experimental bonus scheme was introduced into the building industry in 1947 it was at first accorded no very enthusiastic reception. Except where labour relations were already good, most employers and workers were inclined to foresee the scheme's prospects against the background of pre-war go-slow tactics and unemployment. The experiment now appears to have been a success. It is to be extended and somewhat reorganised.

New joint consultation machinery is to be introduced to help bonus arrangements to work to the satisfaction of both sides of the industry. Two important features of the first experiment are retained. Schemes are still to be operated by individual employers and there is still to be scope for the operative of average ability to increase his earnings by bonus work. Now special joint advisory panels are to be set up in each region and workers may contact their local trade union organiser with a view to starting a scheme or to register a complaint about an existing one. If discussion between the organiser and the employer does not result in agreement, the advisory panel may be called. Employers are to deal directly with the panel if they are dissatisfied with the co-operation they are getting from their employees. Reviews of progress made over the whole industry will be carried out at the national level from time to time. Provision is also made for improving labour sub-contracting arrangements. The National Joint Council for the industry will receive a report on the new scheme on 11th January.

Capital Issues in 1950

The figures of new capital issues, as computed by the Midland Bank, reflect in 1950 the general high level of prices and the entry of the new nationalised industries into the capital market to fund short-term debt. These two factors do in fact explain why 1950 reached the highest total for over two decades. The total of new issues at £313 million is not far short of the boom year of 1928 when the market saw £363 million of new issues floated.

When allowance is made, however, for the low purchasing power of money at present, the comparison is much less favourable. Further, £154 million of the total was accounted for by public bodies, most of it by the British Electricity Authority: If this large component is left out, the residual total is no more than £159 million, a figure which is not greatly in excess of the total last year of £138 million. The £159 million is comparatively well

spread, however, over a wide range of British industry.

It is probable that the pressure on the capital market will increase this year as the strain of financing work in progress increases with rising prices. Other nationalised industries may also join the queue in order to maintain their capital investment programmes.

The bank's figures do not include private placings although these were in vogue to an increasing degree last year. To that extent the total figures for each year are an under-statement of the total flow of business into the capital market.

Road Haulage Insurance

Another interesting example of the way in which the insurance market is setting about servicing the nationalised industries with insurance cover is announced this week. A scheme has now been worked out for the Road Haulage Executive. (The first scheme, 'global' insurance for an industry, was for the British Electricity Authority.) The motor insurance market has issued cover for over 36,000 vehicles as from the beginning of this week.

Cover will take the form of group policies for private cars, commercial vehicles, liabilities of carriers for freight carried, fire hazards of buildings and contents, and other risks. The Road Haulage Executive has appointed servicing brokers who will act in co-operation with a system of 'service points' throughout Britain made practicable through the branch system of the insurance companies. These points form a network which will coincide with the district organisation of the Executive and claims arising under the scheme will be dealt with there. The total premium for the scheme as developed so far amounts to somewhere around £1 million.

Nine Months' Revenue

More than ever this year, it is dangerous to attach too much significance to the revenue returns at the end of the calendar year, a period which coincides with the end of the third quarter of the fiscal year. It is certain that this year there will be not only the usual last-quarter spurt by the expenditure figures but also a special factor within the expenditure total seriously to affect the result, namely, the defence programme.

Nevertheless, for what they are worth, the figures are worth recording. The first nine months of the fiscal year have ended with a rather better showing than might have been estimated for that period at the time of the Budget. There was a surplus of £54 million on the ordinary revenue and expenditure account compared with a deficit of £34 million at the same time last year. The Exchequer returns show ordinary revenue at £2,374 million and ordinary expenditure at £2,320 million, including £12 million for the sinking fund. The corresponding figures a year ago were £2,388 million and £2,422 million respectively.

The two features on the income side deserving of mention are the satisfactory inflow of taxes (which are coming in at a rate sufficient to justify the estimates of last April) and the large drop in receipts from sales of war stores. This last item was also expected to decline when the estimates were presented nine months ago. Expenditure, too, is running at around the estimated level, having benefited from a sharp reduction in outgoings under war damage payments. Were it not for the large and as yet unknown factor of rearmament expenditure, it might appear that the accounts were running at a level to remove the small deficit of £7 million estimated in April as the probable outcome on the year.

Commonwealth Trade

The pattern of world trade for 1949 is now largely a matter of historical interest, but the figures have a significance for the present. It will be recalled that 1949 was a difficult year for Empire trade. The recession in the United States developed in the summer, although it never achieved alarming proportions, and in the autumn the pound was devalued. In spite of these difficulties—one a setback in a major market and the other a crisis of confidence in the Commonwealth's 'money of account'—the Empire's trade retained a remarkably constant proportion of world trade.

According to a review just published by the Commonwealth Economic Committee, Commonwealth exports were 28.8 per cent. of world exports in 1949, compared with 29.4 per cent. in 1948. The corresponding Commonwealth import figures were 31.3 and 32 per cent. While the Commonwealth remained comparatively static in its share of world trade between these two years, the United States fell away slightly and Europe notably improved its position. It is clear, however, that if there is to be a return to the pre-war pattern (which had of course no intrinsic merit) the United States will have to lose further ground and Europe will have further to improve its position. These are percentage figures and what is true of percentages would not hold for absolute figures. There would be no gain to anyone in the long run, for instance, if the importing capacity of the United States were to be impaired.

The Commonwealth Economic Committee review does bring out the importance of the United States to the Commonwealth as a market. The point can best be made by reproducing the figures in summary form. The table below shows the percentage of total imports taken from Commonwealth countries.

Imports from Commonwealth as per cent. of Total Imports

	1949 per cent.	1948 per cent.	1938 per cent.
United Kingdom	43	43	39
Europe	31	28	43
Colonies	47	50	34
Union of S. Africa ..	58	*43	50
India, Pakistan and Ceylon	42	45	42
Australia and N. Zealand ..	70	67	67
Canada	18	19	30
United States	45	42	33

* Estimated

FINANCE AND COMMERCE

The New Year, by opening with bad news from Korea, renewed warnings of fuel, power and material shortages, and a long list of various price increases confirmed the worst fears felt for it in the City. International anxiety, material shortages and rising costs and prices will provide the rather sombre background to markets for some time.

Property Valuation

We reprint this week the consolidated balance sheet of The Great Universal Stores Ltd. This is one of those cases where the complete reprint would overstrain our paper resources now—as our readers will have seen from the general Press—getting still tighter. The accounts as published with accompanying notes and supplementary statements, run to 10 quarto pages.

An important accounting development this year is the elimination of goodwill from the balance sheet by a revaluation of properties. The amount thus dealt with was £2,855,359, following a reduction of the goodwill asset by £155,797 by an appropriation from the group profits of the year.

The directors' report, dealing with the elimination of the asset, says that as at 31st March, 1950, the whole of the group's freehold and leasehold properties, except those properties overseas, were professionally valued so as to obtain a present-day valuation of these assets. The surplus on revaluation amounted to £3,312,023 of which £549,444 was applicable to outside shareholders in subsidiaries and had therefore been added to their proportion of profits and reserves amounting to £2,867,900. This left a surplus of £2,763,579, which with £91,780 surplus on revaluation of properties shown in the previous consolidated balance sheet, made the amount required to eliminate the goodwill.

'Very Conservative'

The circumstances of this property valuation, however, make one wonder whether one of the main objects of the operation was to obtain just the amount required on the credit side to balance out the debit for goodwill. There seemed to be some confirmation of this in the statement by Mr. Isaac Wolfson, the chairman, at the annual meeting, that the valuation was 'very conservative'; the properties, he added, were worth very much more. As an illustration of this, Mr. Wolfson said, 'the other day, we had one of our properties valued for £35,000. That property is now being sold for £65,000'.

One thing needed with these accounts is a statement of the company's ramifications. Fourteen photos portray 'a few of the head offices, warehouses and major stores', among them Campbells of Manchester; Alexander Sloan of Glasgow; Jays of Oxford Circus. The three pages thus occupied would be better used for a full statement of the constitution of the G.U.S. empire.

What Are Profits?

The distinction between local rates and national taxation is finely drawn for accounting purposes. One goes above the profit line and the other below it. Lord Mackintosh, however, at the recent extraordinary general meeting of John Mackintosh & Sons, of which he is chairman, took a very practical view.

'We often hear,' he said, 'that a wage or raw material increase could come out of profits without raising prices, answered sometimes by a violent protest. There would be less argument if the disputants started by agreeing their terms—that is, by making quite clear what they mean by profit. Quite often,' he said, 'the claim is true if profit meant anything like it used to mean, but it is wholly untrue when profits mean what they do to-day.'

'In the last three years,' Lord Mackintosh continued, 'our published accounts state that we have made profits of £1,639,000. Our auditors and the Inland Revenue agree about this. Then the Inland Revenue takes £897,000, leaving the much smaller figure of £742,000. If it had been local rates instead of taxes, they would not have said we had £1,639,000. They would have called it £742,000, but it would have been just the same to us.

'These taxes,' Lord Mackintosh declared, 'are paid out to the Government and paid out again by the Government for health services, food subsidies, defence, and the like, so that when it is said that some extra charge can be borne by profits, if this means legal profits, then the Government is bearing more than half and must either levy an additional tax elsewhere or cut some of its services.'

Inflation Effect

Lord Mackintosh went on to describe the effect of rising prices on the company's position. In three years, stocks had risen from £650,000 to £1,200,000, partly through that cause and partly by increased volume. The money value of sales had increased and the amount due from debtors had gone up by £460,000 to £711,000. Stocks and debtors had thus absorbed £1,010,000, whereas the company had made only £742,000 in profits.

It was not surprising therefore that capital had been increased in the three years by £250,000 and was being further raised by £50,000 at the extraordinary meeting.

An amount greater than the whole of the profits, Lord Mackintosh declared, had therefore been devoted to taxes and tools, and any serious cut in profits would have to come out of taxes or tools or both.

Money Market

For the £250,000,000 offer of Treasury bills on 30th December, applications totalled £302,353,000, and the market's allotment was 82 per cent. The average rate was 10s. 3.15d. per cent. and this week's offer is for £240,000,000.

THE GREAT UNIVERSAL STORES LIMITED

Consolidated Balance Sheet at 31st March, 1950

1949				
£	**Authorised Capital of The Great Universal Stores Limited**		£	£
1,250,000	1,250,000 4½% Redeemable Cumulative Pre-Preference Shares of £1 each (see note 1)		1,250,000	
300,000	300,000 7% Cumulative Preference Shares of £1 each		300,000	
700,000	700,000 5% Cumulative Preference Shares of £1 each		700,000	
2,000,000	8,000,000 Ordinary Shares of 5s. each		2,000,000	
£4,250,000			£4,250,000	
	Issued Capital of the Great Universal Stores Limited			
1,250,000	4½% Redeemable Cumulative Pre-Preference Stock		1,250,000	
300,000	7% Cumulative Preference Stock		300,000	
700,000	5% Cumulative Preference Stock		700,000	
1,299,979	Ordinary Stock		1,319,979	
3,549,979				3,569,979
	Capital Reserves (see Statement, page 13)			
2,060,391	Surplus on sales of properties and businesses and excess of War Damage compensation over book value of relative assets		2,469,074	
1,263,186	Share Premium Accounts		1,323,186	
236,675	Excess Profits Tax Post-War Refunds (including £30,988 received during year)		267,663	
154,914	Debenture and other Capital Redemption Reserves		197,543	
—	Exchange Reserve		173,038	
3,715,166				4,430,504
	Revenue Reserves			
1,414,400	General Reserves		1,968,885	
70,000	Staff Benevolent and Sickness Funds		105,000	
49,398	Preference Dividend Reserve		49,398	
5,335	Plant Replacement Reserves		11,129	
806,056	Profit and Loss account balances (see note 7)		1,216,067	
2,345,189			3,350,479	
1,395,701	Future Income Tax		2,039,296	
3,740,890				5,389,775
11,006,035				13,390,258
	Interest of Outside Shareholders of Subsidiaries			
5,526,548	Preference Shares (see note 6)		6,420,022	
636,829	Ordinary Shares		761,938	
1,577,985	Proportion of Profits and Reserves		2,867,900	
7,741,362				10,049,860
	Debentures, Mortgages, &c., of Subsidiaries			
1,500,000	5½% Debenture Stock (secured), repayable on 1st January, 1970		1,500,000	
500,000	*Less* Issued as security for bank loans		500,000	
1,000,000			1,000,000	
239,529	*Less* Redeemed and cancelled or purchased for redemption		255,929	
760,471			744,071	
—	4½% First Mortgage Debenture Stock (secured)		391,480	
105,020	4% Mortgage Debentures (secured)—(aggregate authorised amount £209,500)		170,326	
2,171,806	Mortgages, Mortgage Bonds and Loans (secured)		2,572,413	
—	5% Income Bonds (unsecured), repayable 31st March, 1958		62,578	
3,037,297				3,940,868
181,081	**Provision for Deferred Repairs**			177,813
	Current Liabilities			
	Bank loans and overdrafts—secured:	£		
590,040	Home	1,427,342		
1,076,699	Overseas	1,400,692		
			2,828,034	
	Bank loans and overdrafts—unsecured:			
4,211,377	Home	3,997,065		
374,138	Overseas	405,877		
			4,402,942	
714,628	Other loans (unsecured)		851,752	
49,905	Balance of purchase price of shares in a subsidiary and of a business acquired by a subsidiary		30,135	
7,072,466	Creditors, bills payable, and accrued charges		11,262,565	
3,223,848	Balance of income-tax to 1949-50, excess profits tax, and profits tax		3,850,932	
175,000	Instalments received from purchasers (Club Members) for goods not yet deliverable (as estimated by the directors)		235,000	
38,324	Dividends payable to outside shareholders of subsidiaries (less income tax)		60,032	
15,434	Accrued Preference Dividends of The Great Universal Stores Limited (less income-tax)		15,434	
196,622	Proposed Ordinary dividend of The Great Universal Stores Limited (less income-tax)		201,996	
17,738,481				23,738,822
£39,704,256				£51,297,621

THE GREAT UNIVERSAL STORES LIMITED

Consolidated Balance Sheet at 31st March, 1950

1949 £			£	£
	Fixed Assets			
2,431,681	Goodwill and net excess of cost of shares in subsidiaries over the appropriate proportion of book values of net assets at dates of acquisition, less amounts written off		2,855,359	
91,780	*Less* Surplus on revaluations of properties (see Statement, page 13)		2,855,359	
2,339,901				—
7,439,111	Freehold and Leasehold Properties, Plant, Machinery, Fixtures, Fittings, Equipment, Vehicles, &c. (see Statement, page 12)			11,813,686
	Trade Investments at Cost:			
463,113 (M.V. £354,658)	Quoted (Market Value £289,693)		373,149	
258,218	Unquoted		321,990	695,139
10,500,343				12,508,825
	Current Assets			
9,852,523	Stocks at or under cost as valued by the management		13,029,821	
15,863,615	Hire purchase debtors, after providing for bad and doubtful debts	£21,621,165		
4,503,649	*Less* Provisions for unearned interest, collection charges, &c.	5,706,176		
11,359,966			15,914,989	
3,825,375	Debts in respect of credit sales, payable by instalments, after providing for bad and doubtful debts	4,397,416		
667,772	*Less* Provisions for collection charges	737,602		
3,157,603			3,659,814	
2,298,404	Sundry other debts and pre-payments		2,658,805	
175,000	Instalments payable by customers for goods delivered to them as Club Members (as estimated by the directors)		235,000	
62,571 (M.V. £65,817)	Investments (Market Value £63,227)		62,966	
1,575	Tax Reserve Certificates		1,575	
2,279,952	Balances at bankers and cash in hand		2,901,763	
29,187,594				38,464,733
	Funds Deposited with Trustees for Debenture Stockholders			
13,756 (M.V. £13,632)	British Government Securities (Market Value £12,801)		13,756	
—	Canadian Government Securities (Market Value £248,052)		248,300	
2,563	Cash		62,007	
16,319				324,063
£39,704,256				£51,297,621

The notes by directors (page 7) and the statements (pages 12-13) form part of the company's accounts.

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

On Saving Time and Paper

SIR,—We hear a great deal nowadays about saving paper and making the best use of available manpower. Surely, sir, both these laudable objects would be materially furthered if everyone would follow normal commercial usage over the ordering of goods and settlement of accounts?

When I want goods from a shop I write for them, keeping a copy if I wish. The goods arrive accompanied by an invoice, which I return with my cheque. The invoice is then receipted and returned to me. No paper has been wasted, there can be no confusion as to the account settled even if several others with the same surname have accounts at that time; and the shop and I have all necessary written record of the transaction.

In my office, that of an educational publisher, things are quite different, thanks mainly to Government departments and local authorities, though in fairness I must admit that some schools, universities, professional bodies, and even some business firms are also to blame; though in all these cases identification is comparatively easy. To save space, I will cite only the kind of thing which happens when a local authority orders goods and pays for them.

The various education officers in County A order, at intervals, the same book for themselves, technical colleges, schools and libraries at different towns, most of whose names bear no relation to that of the county. They send, not only their own order forms (quite rightly), but also special printed invoice forms to be returned with the goods. The latter are completely superfluous, since we must make out our invoices to cover the entries in our books. Our invoices go to the orderer, unless other instructions are given. After some lapse of time we receive cheques, possibly from the orderer, possibly from the recipient (whose name may or may not have been given to us), possibly from the county treasurer. Each cheque is usually accompanied by a nicely printed, but utterly useless, form stating that it is from whoever has signed the cheque, but very seldom giving any clue as to the account or accounts to which it refers. Hardly ever is our invoice returned, so that we may have to write to ask which account has been settled; if we guess we are quite likely to guess wrong, and eventually have to indulge in more correspondence and entries in our books.

Usually the cheques have a printed receipt form on the back; this wastes the time of printers and does not save us from making out our receipts, since the entries in our books must be covered, though we may not actually post the originals to payers in such cases.

The above is only one way in which such matters are handled by local authorities. There are several variations as between orderer, recipient and payer, but in no case is the simple and foolproof method indicated in my second paragraph adopted. The annual waste of paper, manpower and temper must be very considerable.

I have the honour to be, Sir,
Your obedient servant,
Huntingdon. R. G. DARROCH.

Road Hauliers' Compensation

SIR,—We are very interested in your article 'Road Hauliers' Compensation' in the issue of *The Accountant* dated 2nd December, 1950, and in particular in the paragraph on notional expenses.

We are contesting one case at the moment where the panel accountants are insisting that some deduction be made not only for notional rent of the property which was owned by our client, but also for a notional charge against profits in respect of the proprietor's services.

Our contention has been that there is no authority in the Act or in the Ninth Schedule thereto for any deduction in respect of proprietor's services and that the profits arising to our client from carrying on his business cannot be divided into two sections (*a*) for remuneration for services rendered, and (*b*) for surplus over and above this figure, and that only the latter should be taken into account in computing the compensation payable. We have also suggested that as the Act specifically provides for a deduction in respect of interest on capital but does not mention proprietor's services, that it is obvious that it was not intended that any deduction should be made in this respect.

The panel accountants have replied to our arguments as follows:

'CHARGE AGAINST PROFITS IN RESPECT OF PROPRIETOR'S SERVICES

'The Ninth Schedule, para. 2 (1) states:

'There shall be ascertained, in relation to each of the last three financial years of the undertaking, what profit or loss was made in the carrying on of the undertaking.

'You will perhaps notice that the profits referred to are those of the undertaking, that is the business, they are not those of the transferor as such, and it is clear that the profits of the undertaking cannot be regarded as correct in the absence of provision for managerial services rendered to it whether by the transferor or any other party. The accounts of the business are, of course, only the basis, although a reasonably secure base, on which the profits or losses of the undertaking are calculated and there will obviously be adjustments necessary both for and against the respective parties. The principle of making a deduction for proprietor's services is clearly recognised in "The Transferred Undertakings (Compensation to Employees) Regulations 1950 (S.R. & O. No. 1083)".

'The Act does not state the basis upon which

profits and losses are to be calculated. One may be quite certain that if it had been intended that income-tax principles should be adopted, the Act would have said so, and I do not think that because a deduction for services of the proprietor in the accounts of his own business is not allowed by the taxing laws that can be regarded as a guide. In fact, to pursue your argument, since the Revenue allowed earned income relief upon the whole of the profits, the profits could well be regarded as entirely remuneration, which would in every case mean no compensation. Perhaps I may add that the Tribunal has agreed with the remuneration charge made in respect of a controlling director in another case.'

We shall be glad to hear whether your readers can offer any helpful suggestions from experience in similar cases. Perhaps we should make it clear that our client is a sole trader and not a limited company.

Yours faithfully,
PRICO.

Pension: Wife's Earned Income Allowance

SIR,—We understand that a pension under the National Health and Pension scheme, payable to a married woman, does not qualify for wife's earned income allowance (Section 27, Finance Act, 1946).

Our contention is, however, that such a pension payable to a married woman in consequence of her own personal contributions as an employed person, where the husband himself has not been insurable and a contributor, should qualify for the allowance. The Inspector of Taxes, however, relies on Section 27, Finance Act, 1940.

We should be pleased to know if any other readers have had experience of this claim, and the result, as it seems anomalous to us that an allowance should be available to a woman as long as she is working, but that on retirement the pension payable to her in consequence of that employment should not be subject to the same allowance.

Yours faithfully,
ELLANEM.

Valuation of Stocks in Consolidated Accounts

SIR,—Readers' opinions would be welcomed regarding the valuation of stocks in consolidated accounts. In simple terms the position in mind is where A. has two wholly-owned subsidiary companies, X. and Y. X. manufactures an article at a cost of £1 and sells to the distributing company Y. for 30s. Company Y. also buys similar goods from entirely different manufacturers for 30s.

The consolidated accounts of A. will normally delete the unrealised profit of 10s. per article obtained from X. but still in stock at the date of the accounts, but this has the effect of valuing similar articles at different values. How is this position generally dealt with, and would the answer be different if the goods held in stock by Y. were not identifiable to their actual source of supply?

Yours faithfully,
C. W.

'Pitfalls of Estate Duty'

SIR,—I do not think Mr. G. A. Rink answers adequately Mr. Willies' query (issue 16th December, 1950) regarding gifts of paid-up life assurance policies made more than five years prior to death.

The text-book authorities (e.g. Green, second edition, page 100) state unreservedly that it is not the practice to claim duty in such cases.

Yours faithfully,
Leeds, 1. R. S. WAINWRIGHT.

[Mr. Rink writes: In stating that 'it is not the official practice to claim duty in the case of a fully-paid policy given by the deceased more than five years before his death to a donee absolutely', the author of 'Green's Death Duties' (second edition, page 100) implies that there is at least a doubt as to the legal basis of this official practice. For the reason indicated in my article, I have come to the conclusion that this doubt is amply justified and that the Inland Revenue could successfully maintain a claim for duty in the above circumstances. I do not know why the Inland Revenue refrain from putting forward such a claim but I can think of more than one possible reason.]

Capital Profit: Taxation

SIR,—A director-controlled company made a legitimate capital profit on the sale of assets which it distributed to its shareholders. The Revenue have agreed that this profit is not subject to income-tax or taxable as a profit for profits tax. They, however, contend that the distribution to the shareholders must be brought to account in calculating the gross relevant distributions to proprietors for profits tax under Section 36, Finance Act, 1947. This has the effect of making the distribution the subject of a 'distribution charge' under Section 30 (3) of the Act and thus makes it taxable although a capital profit.

I should be glad of your readers' opinions.

Balancing charges in respect of the sale of the assets are already being included in the computation of profit for profits tax and thus the same profit is being taxed twice.

Yours faithfully,
Harpenden. F. J. WOODALL.

Retail Chemists and the Companies Act, 1948

SIR,—We are the auditors of a limited company which recently purchased a retail chemist's shop. We have been informed that the National Health prescription chits are submitted for pricing and payment at the end of each month. Some two or three weeks later a payment on account is received, and this is apparently based upon the amount due for the corresponding month of the previous year. There is then a further delay of about nine months before the final settlement is made.

In this particular case the amounts involved are not very large, but the quantity of work carried out under the National Health Service is steadily increasing.

In view of the fact that we must report to the members of the company on whether the profit and loss account shows a true and fair view of the profit for the year, we should be glad to receive the opinions of your readers as to the figures to be brought into the accounts.

Should the accounts include the directors' estimate of the amounts owing? If so, should there be any qualification, as there would not appear to be any way of checking their calculations? On the other hand, if no such estimate is made, how can the accounts show a true and fair view?

It would, of course, seem to be more prudent for these transactions to be dealt with on a cash basis, and if this treatment is accepted by the Inspector of Taxes it would prove more beneficial to the company. If this basis is adopted consistently, an appropriate note being attached to the first accounts, would it still conflict with the requirements of the Companies Act, 1948?

Yours faithfully,

*London, S.W.*1. BROOKS & CO.

Migrant Companies

SIR,—In your issue dated 18th November, 1950, you draw attention to the advantages, from the tax point of view, accruing to the copper companies which have decided to transfer their control to Northern Rhodesia, and you also draw attention to the disadvantages of these transfers from the point of view of the City of London.

Will you permit me to draw to the attention of your readers the other disadvantages to be expected from the movement away from these shores of such substantial concerns, and indeed any other companies carrying on business abroad which decide to follow their example.

At the present time considerable sums are disbursed in this country every year by companies registered in England or Scotland and carrying on business wholly abroad. These items of expenditure include office rents, staff salaries, directors' remuneration, to say nothing of commissions paid on insurance and other business placed in this country. This expenditure serves to supplement this country's invisible exports, and all we need do in order to retain this valuable business is to avoid driving the companies away by excessive taxation and financial and other controls which they would not have to bear if domiciled abroad.

I put forward for your consideration and that of your readers the proposition that it would be worth while taking the plunge now and adopting in this country the taxation system which has been in force in Canada for many years, whereby companies operating abroad and registered in Canada pay no normal Canadian income-tax at all. If we were to take this step we should give up some tax revenue, which is after all a wasting asset as the exodus of companies continues, and, in exchange, we should obtain the assurance that our invisible exports arising from these companies would be maintained. Indeed, it is possible that some companies which have transferred control abroad might even return to this country if this alteration of our tax arrangements were effected promptly.

Yours faithfully,

*London, E.C.*3. K. M. PARRY.

TAXATION CASE

A full report of the case summarised in this column will be published, with Notes on the Judgment, in *The Annotated Tax Cases*.

Davies *v.* Shell Company of China Ltd.

In the High Court of Justice (Chancery Division)
10th November, 1950
(Before Mr. Justice DANCKWERTS)

Income-tax—Exchange differences—Deposit of money by agents—Deposits in Chinese dollars—Conversion into sterling deposits—Repayment of deposits to agents after fall of Chinese dollar—Whether difference a trading receipt—Income Tax Act, 1918, *Schedule D, Case I.*

The respondent company sold petroleum products in China to 'agents', who did not pay for their consignments beforehand. In order to safeguard the company's position to some extent, in the event of the agents defaulting, they were required to deposit sums in Chinese dollars with the company. At 31st December, 1936, the company held deposits equivalent to £430,559 in Shanghai.

In August, 1938, the company transferred the deposits to London, and the Chinese dollars were converted into sterling. In 1941 the company ceased its operations through agents in China, and the amounts due to the agents were paid to them. As there had been a fall in the Chinese dollar in the meantime, the company was able to obtain such currency, wherewith to pay the agents, for an expenditure in sterling of about £201,084, and thus £229,475 of the £430,559 was retained by the company.

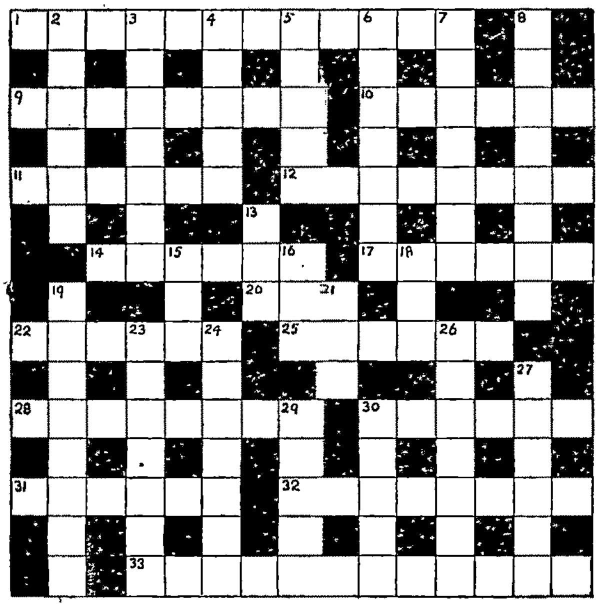
The Inland Revenue contended that the £229,475 was a trading receipt, and it was assessed for 1942-43. It was contended on behalf of the company that this sum was a capital profit, and the Special Commissioners so held.

Held, that the Special Commissioners' decision was correct.

AN ACCOUNTANT'S CROSSWORD—II

by J. ROSE, A.C.A.

(*The following are clues to terms familiar in accountancy: Across, 1, 9, 11, 12, 28, 30, 33; Down, 8, 19, 29, 30.*)



ACROSS

1. The reason it's not worth so much.
9. Reckons—so can cut.
10. Found in the blacksmith's anvil if you defame.
11. How a landlady charges for bed-sit?
12. Listeners to B.B.C. accounts?
14. Where a hen's output sits (3, 3).
17. Part of an ostrich esteemed for wealth.
20. It would appear I don't give a rap.
22. Not fed up but fed backwards at the beginning and end.
25. Rubs in the middle.
28. Hidden if kept up sleeves.
30. If the first is second he will play for gain, but not in red.
31. How a Scottish colleague stores his huts?
32. Is it unpractical to associate a thousand in mixed cubes with spots on?
33. Why Oxford and Cambridge prefer to row with the tide? (7, 5).

DOWN

2. Engraved in Somerset cheddar.
3. Two chess pieces—but there's a letter missing. Who's been cheating?
4. The raspberries schoolboys don't like.
5. Worse events occur here, we're told (2, 3).
6. The assailant takes a van ride.
7. Egyptian tin coil.
8. What a hope! Nauseating!
13. Up, down and up again! The little terrier!
15. Part of a snag in this trap.
16. How to fix Winnie?
18. Often follows a rat these days, but will go to the poles alone.
19. Replacements of lens ware.
21. For its own sake sometimes.
23. Ice gale sounds mournful.
24. Factor.
26. Shepherds—with their dog in the middle?
27. Guess I'll have dinner about 6 o'clock.
29. The capital part of a plough.
30. Embed a growth in the factory.

The solution will appear in next week's issue.

NOTES AND NOTICES

IMPORTANT NOTICE
The Accountant: Change of Address

The address of the editorial and advertisement offices of *The Accountant* is now 4 Drapers' Gardens, Throgmorton Avenue, London, E.C.2. Telephones: Editorial offices, Monarch 4666-7; Advertisement offices, Monarch 0728.

Personal

MESSRS. BAKER BROS. HALFORD & Co., Chartered Accountants, Selborne Buildings, 14 Millstone Lane, Leicester, announce that as from 1st January, 1951, they have taken Mr. N. H. PARKINSON, A.C.A., into partnership. Mr. PARKINSON is the son of the senior partner, and has served with the firm since 1940. The name of the firm will remain unchanged.

MR. L. HALPERN, F.A.S.A., announces that Mr. K. R. LUCY, A.A.S.A. who has been associated with the firm for many years, has been admitted into partnership. The practice will be continued under the present name of L. & S. HALPERN, at 56 High Street, Croydon (Tel. Croydon 7592) and at 288 Addington Road, Selsdon, Surrey (Tel. Sanderstead 2562).

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MESSRS. RALPH PINTO & Co., Chartered Accountants, of 228-231 Gresham House, Old Broad Street, E.C.2, announce that Mr. JOHN W. LANE, A.C.A., A.S.A.A., who has been a senior member of the staff for some years, has been admitted into partnership from 1st January, 1951.

MESSRS. SHEARD, VICKERS & WINDER, Chartered Accountants, of 34 Castle Street, Liverpool, 2, announce with deep regret that their former senior partner, Mr. ERNEST VICKERS, F.C.A., died on 25th December, 1950.

MR. B. G. MARCHANT, of Messrs. PRIEST, MARCHANT & Co., Chartered Accountants, of St. Brides House, 11 Salisbury Square, London, E.C.4, announces that Mr. A. A. MARRIOTT, A.C.A., who has been with the firm for a number of years, has joined him in partnership. The name of the firm will remain unchanged.

MESSRS. MANN, JUDD, GORDON & Co., Chartered Accountants, of 142 St. Vincent Street, Glasgow, C.2, announce that they have assumed as partners as from 1st January, 1951, Mr. R. W. BEGG, M.A., Mr. DAVID FLINT, M.A., B.L., and Mr. T. D. McGREGOR, M.A.

MESSRS. G. E. HOLT & SON, Chartered Accountants, of 10 Dale Street, Liverpool, 2, announce that on 1st January, 1951, they admitted to partnership Mr. WILLIAM JOHN BRERETON, A.C.A., and Mr. HERBERT COUSLAND CUSSONS, A.C.A., both of whom served their articles and have since been continuously associated with the firm. Mr. BRERETON will continue to be available at their London office and Mr. CUSSONS in Liverpool. The title of the firm will remain unchanged.

MESSRS. DAVID GREEN & CO., of 124 New Bond Street, London, W.1, announce that as from 1st January, 1951, Mr. HARRY COHEN, F.C.A., has resigned from the partnership of the firm. The practice will be continued by Mr. DAVID GREEN, F.Comm.A., and Mr. ALAN LEWIS, A.A.C.C.A., A.T.I.I., under the style of DAVID GREEN & LEWIS, at the same address. Mr. HARRY COHEN, F.C.A., will continue as formerly under the style of COHEN, LEWIS & CO., at 26-27 Conduit Street, London, W.1.

MESSRS. WENHAM, EDGE & CO., Chartered Accountants, of Vernon House, Sicilian Avenue, Bloomsbury Square, London, W.C.1, announce that the partnership between Messrs. R. A. WENHAM, A.C.A., M.A.(Cantab), and CYRIL T. EDGE, F.C.A., M.A.(Cantab), was terminated by mutual consent on 31st December, 1950. The two former partners will each continue in practice under their own names at the same address.

MR. J. E. N. BROUGH, F.C.A., announces that as from 1st February, 1951, he is admitting into partnership in Ripon, Harrogate and Masham, Mr. S. M. KIRKMAN, A.C.A., who has been associated with him since 1941. The future style of the firm will be BROUGH, KIRKMAN & CO., Chartered Accountants.

MR. J. E. N. BROUGH, F.C.A., announces that as from 1st February, 1951, he is admitting into partnership at Bedale, Mr. K. A. EASBY, A.C.A., who has been associated with him since 1944. The future style of the firm will be BROUGH AND EASBY, Chartered Accountants.

MESSRS. CASSLETON ELLIOTT & CO., of 4 & 6 Throgmorton Avenue, London, E.C.2, announce that as from 1st January, 1951, they have opened an office in Kano, Northern Nigeria, under the management of Mr. LINDLEY MAURICE MURPHY, A.C.A.

MESSRS. MITCHELL & BUNTING, Chartered Accountants, of 27 Lord Street, Liverpool, 2, announce that as from 1st January, 1951, they have admitted into partnership Mr. A. JONES, A.C.A., A.S.A.A. Mr. JONES has been on their staff for a number of years and has had a long experience in the accountancy profession. The new partnership will be carried on in the present name of MITCHELL & BUNTING.

MR. J. C. J. CLARK, F.C.A., of 8 The Drive, Hove, announces that as from 1st January, 1951, he has taken into partnership Mr. SIMPSON L. JONES, C.A. The practice will continue to be conducted under the style of CLARK, BROWNSCOMBE & CO.

MESSRS. DAVIES BROS., COSTELLO & CO., Chartered Accountants, of 27 Clements Lane, Lombard Street, London, E.C.4, announce that Mr. EDWARD B. COSTELLO, F.C.A., retired from the firm on 31st December, 1950. The practice will be carried on by the remaining partners and the firm's name will revert to DAVIES BROS. & CO.

MESSRS. OLDHAM, HOLLAND & CO., Chartered Accountants, of 63-64 New Broad Street, London, E.C.2, announce that as from 1st January, 1951, they have admitted into partnership Mr. DAVID OLIVER JOHNSTON, A.C.A., who has been with the firm for many years, including articled service. The name of the firm will remain unchanged.

MESSRS. CALDER-MARSHALL, IBOTSON & BOUND, Chartered Accountants, of 11-13 Dowgate Hill, E.C.4, announce with regret the death of Mr. BANNERMAN SANGSTER, F.C.A., F.T.I.I., of 19 Mackenzie Street, Slough. His practice will be continued for the time being by Messrs. CALDER-MARSHALL, IBOTSON & BOUND on behalf of his widow, Mrs. B. SANGSTER.

MESSRS. CECIL TILDESLEY & TONKS, Chartered Accountants, of Metropolitan Chambers, Lichfield Street, Wolverhampton, announce that Mr. NORMAN KIRKHAM, A.C.A., has been admitted to partnership as from 1st January, 1951. Mr. KIRKHAM has been associated with the firm since 1938 and served his articles in their office. The name of the firm will remain unchanged.

MESSRS. IMPEY, CUDWORTH & CO., Chartered Accountants, of Finsbury House, Blomfield Street, London, E.C.2, and 5 Lower Temple Street, Birmingham, 2, announce that they have admitted into partnership, as from 1st January, 1951, Mr. H. A. SUDELL, A.C.A., who has been a member of their staff for a number of years and served his articles with the firm.

MESSRS. SAFFERY, SONS & CO., Chartered Accountants, of 200 Gresham House, Old Broad Street, London, E.C.2, announce that they have admitted to partnership Mr. DENNIS T. H. NICHOLSON, M.B.E., A.C.A., the son of their senior partner; also Mr. MAURICE E. HATCH, D.F.C., A.C.A., who has been associated with them for eleven years.

MESSRS. HARMOOD BANNER, LEWIS & MOUNSEY, Chartered Accountants, of 24 North John Street, Liverpool, 2, announce that Mr. HENRY CHARLES MOUNSEY, A.C.A., son of Mr. HENRY P. MOUNSEY, F.C.A., has been admitted to partnership from 1st January, 1951, and that Mr. HUGH T. NICHOLSON, A.C.A., will be mainly engaged in their London office from that date.

Professional Note

British Overseas Airways Corporation announce that they have appointed Mr. K. W. Bevan, A.C.A., as Chief Accountant of the Corporation, to be responsible to the Financial Comptroller. Mr. Bevan is a member of the Taxation and Research Committee of the Institute.

Obituary

William Cash, J.P., F.C.A.

On Christmas Day, 1950, in the person of William Cash, there passed peacefully to rest one whose name has been well known to nearly three generations of the accountancy profession. Born in 1866, so long ago as 1884 he was a member and honorary treasurer of the Chartered Accountant Students' Society of London, and his association with the society continued throughout his career, culminating in his election as President in succession to the late Lord Plender, a position which he held until three years ago. He became a member of the Institute in 1889 and immediately entered the firm of Cash, Stone & Co., of which his father was a founder. Taking up his fellowship in 1894, he was elected to the Council of the Institute in 1908, remaining a member until his retirement in 1940, serving the office of President for the two years 1921-22 and 1922-23. His many activities on behalf of the Institute included membership of the Company Law Amendment Committee in 1925-26, from which emanated the Companies Act, 1929, and Mr. Cash was assiduous in his attention to details of the Bill throughout its passage in Parliament, being responsible for the initiation or criticism of many amendments, some of which became incorporated in the Act. He was a delegate from the Institute to the International Congress of Accountants at Amsterdam in 1926 and at the International Congress in New York in 1929 But in the Council he will perhaps be best remembered in connection with the Investigation Committee, of which he became a member in 1923 and chairman from 1931 to 1940; in this latter capacity it was always most interesting and instructive to listen to his clear-cut, lucid and entirely fair presentation of the facts and legal implications of any case which had to be brought before the Council. It should perhaps be mentioned that under the Supplementary Charter and the amended by-laws this procedure does not now prevail. But it was not surprising that Mr. Cash had this faculty of clear exposition, since a great deal of his professional career had been devoted to giving evidence as an expert witness in connection with private bills promoted in Parliament on behalf of gas, water, electricity and other public utility undertakings, and many municipal matters such as the extension of areas and boundary adjustments; over many years, from 1897 onwards, he was engaged in the Parliamentary committee rooms in nearly every session and would often hold as many as a dozen retainers in a single session.

He also appeared as an expert witness before many tribunals and in addition acted in a number of arbitrations as well as giving evidence in public Courts at Quarter Sessions and in the High Court. One well-remembered incident arose during litigation concerning the affairs of a private banking company in the year 1901, when his impressive bearing and convincing evidence induced a leading newspaper to characterise him as 'the Kitchener of finance'.

William Cash was a well-known figure in the gas and water industries. In 1891 he was appointed secretary of the Bournemouth Gas and Water Co., which had been founded by his father and others; later he became a director and was chairman from 1918 until nationalisation. He was also chairman of the Croydon Gas Co. up till that time, and was for many years a director of the Barnet Gas and Water Co., the Brighton, Hove and Worthing Gas Co., and the South Essex Water Co., in addition to the holding of various directorships of commercial and industrial concerns.

It is interesting to record that from 1867 to the present day a William Cash has been auditor of the National Provident Institution, Mr. Cash having so served from 1891 to 1939 and being succeeded by his son, now the senior partner of the firm; in fact, the name of William Cash has been associated with the Institution for well over a century, a previous holder of the name having been a director for many years.

Members of the Council and other friends will have happy memories of the pleasant garden parties Mr. Cash used to delight in staging at his beautiful home in Coombe Wood, Croydon.

The family and relatives of William Cash may well take great pride in the splendid record he has achieved, a record which can hardly be equalled and is never likely to be exceeded. G. R. F.

Bannerman Sangster, F.C.A., F.T.I.I.

We have learned with regret of the death of Mr. Bannerman Sangster, F.C.A., F.T.I.I., at the early age of 44. Mr. Sangster, who was educated at Dulwich College, was admitted an associate of the Institute in 1928 and elected a fellow in 1940. He practised at 19 Mackenzie Street, Slough, where he had commenced on his own account in 1935.

Well known in Slough as treasurer, and former president, of the Slough Chamber of Commerce, Mr. Sangster collapsed as he returned to his office after presiding over a meeting of the Chamber's Taxation Committee.

A keen sportsman, Mr. Sangster was a member of Slough Cricket Club and Datchet Golf Club, and formerly played for Windsor Rugby Club, of which he was vice-president at the time of his death.

Students' Meeting

THE PRESENTATION AND INTERPRETATION OF FINAL ACCOUNTS

A joint meeting of the London Chartered Institute of Secretaries Students' Society and the Chartered Accountant Students' Society of London is to be held in the Conference Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2, commencing at 6.15 p.m., on Thursday, 11th January. Mr. V. S. Hockley, B.Com., C.A., A.A.C.C.A., will give a lecture on 'The presentation and interpretation of final accounts'. The President of the Chartered Institute of Secretaries, Sir Edward Wilshaw, K.C.M.G., C.B.E., J.P., F.C.I.S., has been invited to take the chair, and Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A., President of the Chartered Accountant Students' Society of London, will also be present.

The South Wales and Monmouthshire Chartered Accountant Students' Society

The second annual ball of the Society will be held at the Royal Hotel, Cardiff, on Friday, 12th January, 1951. Tickets, single £1; double £1 10s., may be obtained on application to the honorary assistant secretary, Mr. Malcolm G. Thomas, c/o W. R. Gresty & Co., 97-100 Bute Street, Cardiff.

Royal Society of Arts

TRUEMAN WOOD LECTURE

The Right Hon. Lord McGowan, K.B.E., hon. president of Imperial Chemical Industries Ltd., will deliver the Trueman Wood Lecture to the Royal Society of Arts on Wednesday, 17th January, at 2.30 p.m. His subject will be '1851–1951: a century of British industry'. Applications for tickets of admission should be addressed to the secretary of the Society at John Adam Street, Adelphi, London, W.C.2.

Appointment of Chief Valuer

The Board of Inland Revenue announce that Mr. J. K. Atkinson, F.R.I.C.S., has been appointed Chief Valuer in succession to Sir Roydon Dash, D.F.C., F.R.I.C.S., F.A.I., who is retiring from the public service on 1st February, 1951.

Israel Tax Laws

A special supplement on the Israel tax laws is included in 'Business Digest, Israel's Economic Weekly'.[1]

[1] Haifa, 26th October, 1950. This issue 6s. 6d. Overseas Publicity & Service Agency Ltd., 110 Fleet Street, E.C.4.

Royal Statistical Society

Three papers on the subject of 'Statistical problems in distribution' will be read to a meeting of the Study Section of the Royal Statistical Society on Thursday, 11th January, at 2 Savoy Hill, London, W.C.2, commencing at 6 p.m. Readers who may be interested are invited to attend.

Our Weekly Problem

NO. 27. THE FORTUNATE SHAREHOLDER

'The preference shareholders in this company are very fortunate', said Mr. L. U. Sidate. 'Their articles provided for the dividend to be free of tax up to the standard rate at the date of formation, and the recent decision means that they benefit more than others in similar companies where the free-of-tax rate was different.'

'What was the recent decision?' asked Charles. Mr. Sidate looked pained. 'In the *Godfrey Phillips* case[1] the method of arriving at a dividend free of tax up to 6s. in the £ was to multiply the nominal dividend, which the shareholder would have had before the rate went up, by 20/14ths from which 9s. in the £ is deducted. By the other method, now approved by the Court of Appeal, the nominal dividend is reduced by the difference between 6s. and 9s. in the £, and that is the amount paid to the shareholders.'

What was the standard rate of tax for the year in which the company was formed?

The answer will be published next week.

[1] *The Accountant*, 25th February, 1950.

ANSWER TO NO. 26. ACCOUNTANTS' TEXT-BOOKS

The hire would have cost Mr. Ravel £20 less income-tax at, say, 9s., i.e. £11, and he would have to save in sur-tax £5 10s., bringing the net cost down to £5 10s. £5 10s. represents 5s. 6d. in the £ on £20, so that Mr. Ravel's income was assumed to be between £5,002 and £6,000.

The Accountant

ESTABLISHED 1874

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TAX COMMISSIONERS' REPORT

THE Inland Revenue duties in force for the year ended 31st March, 1950, namely income-tax, sur-tax, death duties (including corporation duty), stamp duties, profits tax, land tax and mineral rights duty, are comprehensively surveyed in the ninety-third report of the Commissioners, issued last week as a Blue Book.[1] Its production has been accelerated this year, as compared with last, by deferring until the 1950-51 report the publication of the trade group statistics for 1949-50.

The net receipts of Inland Revenue duties during the year, after deducting repayments of £202 million, was £2,108 million, as compared with £2,055 million for the previous year. The cost of collecting this vast sum was £24.9 million, or 2.6d. in the £ (1.07 per cent.) on the gross Inland Revenue receipt, a slight increase over the 1948-49 cost of £23.5 million, equivalent to 2.5d. in the £ (1.04 per cent.).

The arrears of tax outstanding at the end of the 1949 account was £674.8 million. The corresponding figure for 1939 was only £77.3 million. Of the 1949 arrears, it is estimated that £310 million will ultimately be recoverable. The report makes the point that during the war the number of traders assessable under Schedule D grew too rapidly for the depleted staffs (much of whose energies was absorbed in the computation of excess profits tax liabilities) properly to handle. A conspicuous omission from the last report (noted by this journal[2]) was any reference to the problem of evasion, or the extent to which it was being countered. The Commissioners now make the welcome announcement that during the next few years there will be a steady increase in the numbers of trained officers and that by 1952 there should be 1,750 Inspectors as against 1,480 in 1948. During the year to 31st March, 1950, 1,886 investigations into evasion of tax were completed which resulted in total charges of £5,054,070 being raised. This compares favourably with 1,802 cases and £4,432,384 charges last year.

The estimated number of individuals with total incomes above the exemption limit remained constant at 20,750,000, but those chargeable with tax after the operation of allowances increased from 14,750,000 to 15,000,000. The average effective rate of tax levied on each pound of actual income was 36.6d. for 1948-49, compared with 36.3d. for 1947-48. The provisional figure for 1949-50 is 37.6d.

If the reader can forget that he is one of the 15,000,000, he may find himself actually enjoying this well documented record.

[1] Cmd. 8103. H.M.S.O. 3s.
[2] *The Accountant*, dated 28th October, 1950, at page 4?3.

AN ACCOUNTANT'S LIABILITIES UNDER POWER OF ATTORNEY

by F. B. REYNOLDS, A.C.I.B.

A CORRESPONDENT recently asked if an accountant is protected by an accountant's indemnity policy against claims whilst acting under a power of attorney.[1] This raises many issues and cannot be settled by a straight 'yes' or 'no'. Firstly, the wording of the policy is material; secondly, the nature of the claim, and thirdly, by whom made.

The usual policy wording covers

> 'claims ... by reason of any neglect, omission or error ... in or about the conduct of any business ... in their professional capacity as accountants'.

A number of policies have additional clauses explaining that it includes receiverships, liquidations, agencies, &c.

The writer's personal opinion is that the words 'in their professional capacity' give the simplest and widest definition. If you keep to the words 'in their professional capacity as accountants', you have a perfect yard-stick. The importance of this is that the practice of accountants varies in different parts of the country. For example, in Scotland it is common practice to act as a factor (to manage estates, collect rents, &c.) though this is rather unusual in England. An accountant having a claim for negligence whilst acting as a factor can justifiably claim the protection of his policy because he can argue that it is customary for accountants in the conduct of their professional practice to act as factors.

Many Types of Claims

As it has now become a more common thing to give a power of attorney to an accountant, it is the writer's opinion that this is now a part of the professional practice of an accountant, and therefore covered.

What is most important is the type of claim. The normal policy requires a claim to be made on the accountant; it is not sufficient for him merely to have suffered a loss. For example, an accountant ordering stationery for a client grossly over-orders; the stationer is not concerned whether the accountant has made an error or not, he merely says: 'I have supplied the goods, I want my account paid.'

The claim must be *for* neglect, omission, or error. If it is for breach of trust, fulfilment of contract (guarantee of bank overdraft) or criminal act, it is not covered.

As regards claims arising from acting under a power of attorney, if claims are made by the accountant's *client* for neglect, omission, or error, in the writer's opinion they would probably come under the policy, but if a claim was made upon the accountant as attorney for the absent client, he would defend that claim for the client and charge to the client's account.

Not Every Claim Covered

Whilst an accountant is covered whilst acting as a liquidator, receiver, or trustee in bankruptcy, that does not mean that *every* claim is covered, e.g. claims for fulfilment of personal guarantees of bank overdrafts, &c., are not covered. In the same way, whilst acting under a power of attorney he could not expect protection in respect of claims on him as representative of the client. As simple examples of this, a claim might be received from a third party injured by a falling tree on the client's estate, or machinery in a shop or factory may have been improperly guarded. Such cases would be defended in the client's name and at his expense.

The accountant would be covered against a claim by his client for alleged negligence when carrying out his duty whilst under his client's direct instructions, and in the writer's opinion he would be covered normally for negligence when carrying out his client's wishes under a power of attorney.

A qualified accountant is expected to know and do those things which a skilled accountant should know and do. He is not expected to know all the intricacies of running a shop or factory and one can hardly see how his client could claim on him for negligence should loss occur through a falling tree, accidents with machines, &c.

On the other hand, he is expected to be familiar with income-tax requirements, company law, &c., and a claim for negligence in carrying out duties that he should be competent to do, would be covered.

Circumstances Alter Cases

It must be realised, however, that whether a claim is covered by an indemnity policy will

[1] Letter in the correspondence columns of *The Accountant* dated 18th November, 1950, at page 521, headed 'Accountants' Indemnity Policy: Acting under Power of Attorney'.

depend on the *exact* circumstances of each case: that is why insurers will seldom give a ruling as to whether the policy covers hypothetical claims.

The following example may show how difficult it is to judge until every circumstance is known.

A. and B. were in partnership and A. wrote to his broker saying: 'I am a director of X. & Co. Ltd., and my firm collect and pay their accounts in London. One of my clerks has embezzled some of their money. I find that I have signed cheques twice over for the same account, &c., so I must take responsibility.' That claim was turned down. The man was a director as a private venture, and it was a matter of infidelity. The broker went round and happened to see B. He explained the reasons, which were fully appreciated. Suddenly a thought struck him—who were the auditors? Surely they should have discovered it? 'I am the auditor,' said B. 'I ought to have discovered it, but being my own clerk . . .'

'Oh!' said the broker, 'that is an entirely different matter. It seems you were negligent in your duty to your clients. You failed to see proper vouchers for payments, &c. The fact that it was your clerk does not relieve you of your duty to your clients.' The case was re-submitted with the new facts and paid.

Whilst this case gives an illustration of how exact circumstances are important, it must not be assumed that claims arising from theft of moneys by an accountant's clerk are normally covered. It rather illustrates a point mentioned earlier, of policy wordings. Some policies exclude *all claims arising from dishonesty*, others cover claims *for negligence* though arising from dishonesty, and a few have a special fidelity extension which would include a claim by a client for repayment of cash stolen by an accountant's clerk.

Professional Duties Covered

The question of exact circumstances often arises in the case of executorships and trusteeships under wills. Where an accountant is executor under a relative's will and receives a legacy, that is a personal matter and not part of the firm's practice. Where he acts for a client and the fees charged are part of practice, claims for negligence generally are covered, e.g. failure to obtain tax relief when children come of age.

The duties of an accountant are becoming more and more extensive and of increasing value to industry and commerce, so much so that it would be virtually impossible to define all the things he might do.

He may also be tempted to undertake work which is not in the realm of his duties, e.g. where he undertakes duties normally and properly those of a solicitor. It may be a simple straightforward job which he is, or should be, capable of doing, but his insurers do not guarantee his ability to carry out duties which are not those of an accountant.

Only Covers Loss from Claims

Perhaps it may be as well to emphasise a point, already mentioned, which often gives rise to misunderstanding. An accountant's indemnity policy does not cover an accountant against *any loss* made by him. This may sound elementary, but it is a fact that one accountant expected his insurers to pay for fees he could not recover, and another a fine for breach of law. It is not unusual for them to receive as 'claims', demands to account for money had and received. The grounds for passing on the 'claim' are 'the money was lost through my clerk's negligence', but investigation shows the claimants are merely saying: 'you received money for our account, we don't mind what you did with the money, all we want is payment of the money due to us'.

Nor is an indemnity policy a fidelity guarantee, though it can be extended to cover this risk.

Breach of Trust

Finally, there is the problem which arises when an accountant is faced with a charge of breach of trust, fraud or breach of law. The matter is usually put before the insurers with the statement that it is preposterous, entirely unfounded and made out of malice, &c., adding that 'I presume that if I am proved innocent as, in fact, I am, I can recover my expenses?' The answer is no.

Firstly, it would be against public policy to issue a policy protecting against claims for breach of law. Secondly, the absurd position would arise that the insurers would benefit if the insured were found guilty.

It has been the writer's experience over thirty years that claims will arise which are not contemplated by either the insured or their insurers, or are what might be described as borderline cases. In the changes taking place in business now, this is almost inevitable, no matter however carefully the policy wording may be drafted.

When such cases are submitted in a frank and friendly spirit they have invariably been treated in a like manner and many *ex gratias* are paid when liability could be denied.

FINANCIAL PLANNING AND CONTROL—I

THE NEED FOR RELIABLE AND DETAILED REPORTS

by D. J. SIMPSON, A.C.A.(Aust.)

Are accountants, as a profession, conversant with the ever-changing requirements of modern management? Whilst they attend to the many complex matters which in latter years have been entrusted to them, are they fully aware of the needs of the business community? These questions are discussed by the author who proceeds to outline the means by which the needs of management may be fulfilled.

IN our financial system a test of successful business management is, after the satisfaction of the customers, suppliers, employees, and the State, the earning of a reasonable return upon the amount of capital risked. It is important to realise that modern management is more concerned about the present and future than the past. While the past is important, any change of policy or business methods can only affect the future operations and results. Too often are decisions reached more by guess-work and personal opinion than by sound judgment, based upon a skilled analysis of the undertaking's future prospects. In a freely competitive market a bad decision, which with a little more knowledge could have been better, may be a serious blow to even a well-established business, and can cause ultimate failure. Successful management realises the need for reliable and detailed reports upon the proposed future activities, and both practising accountants and their colleagues, the industrial accountants, are being consulted.

Accountancy is now almost universally accepted as one of the tools of management, and not forming part of management itself. It may be argued that accountants' work is primarily historical, but, should they not also be more interested in the present and future than in the past, and devote to that subject the same proportion of time and study as does management. Surely their skill and judgment is better employed in forecasting future results than in recording the past. Successful management of to-day is looking more and more to accountants for advice upon the future, and if our profession is to continue to assist the business community, we must supply it with the service it desires.

Accuracy and Reliability Essential

As meticulous accuracy is the pride of most accountants, a change to uncertain figures, which forward planning entails, may at first be viewed with caution. But it is suggested that accuracy and reliability are as essential as in historical accounting. This seems to be confirmed by the results of those concerns which already employ with considerable success systems involving the predetermination of the financial aspect of future business activity.

The vast scale of operations of present-day business render it difficult for higher management to personally superintend each function. Their energies are better expended in research and forward planning, but, without an efficient system of organisation, it would be impossible also to successfully direct and control the work of subordinates.

Financial planning and control implies the organisation of the financial affairs of an undertaking so as to provide the maximum use and economy of all available resources. This covers a wide field as almost every activity will reflect in some way upon finance. Broadly it embraces a system which is used as a means of ensuring future profits and securing financial stability. An important prerequisite is the careful selection of the men to undertake these responsibilities. Indeed, the art of business management is said to be a wise delegation of executive duties, and before briefly considering the essential features of a system of financial planning and control, the position in business of those responsible therefor, must be ascertained.

The Structure of Management

In most companies the general structure of management responsibilities is as follows:

Shareholders
|
Board of Directors
|
General manager
|
Sales manager | Production manager | Administration and finance manager

The latter three are responsible for the whole of the conduct and result of their respective de-

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partments, but it is not intended to examine their work or that of their department, except in so far as it relates to finance.

It is preferable that the departmental managers should have a seat on the board of directors, but where this is not practicable should have the right to be present at its meetings and speak on matters affecting their department. This affords a more satisfactory discussion than is usually the case, and the departmental managers have, as between themselves, an equal say in the management of the company. At present a company's accountant has frequently little or no connection with management; the financial affairs are discussed and decided by those who have a knowledge of finance and commerce, but lack the intimate details of the company itself, or by those who have little knowledge of finance, being primarily concerned with the technical work of other departments. The accountant is often obliged to report adversely upon the results of suggestions from other departments and those departments tend to regard the finance department as 'spies'. Only by removing such an outlook, and by recognising the value of a constructive system of organisation, can the foundations for financial success and stability be laid. Co-operation between the departmental managers must be attained if the reports and estimates are to be of value.

It is essential that the finance manager be able to indicate in advance the result of all decisions affecting finance. He need not necessarily be fully occupied by one particular undertaking, but in that case must have a detailed knowledge of its internal and external affairs and problems.

Financial planning and control is effected by a system of budgeting and standard costing, which will provide for:

(1) Future trading activity;
(2) Investment of funds in assets;
(3) Source of funds required;
(4) Comparison of actual results with those planned, and investigating discrepancies;
(5) Eliminating unnecessary losses and expenditure and preserving earned profits.

It is suitable for both existing and proposed undertakings, and in each case a 'master' plan or budget is prepared, against which a comparison of the actual results is subsequently made. Those points more applicable to a proposed company are considered later.

It is emphasised that the basis of a successful financial administration is careful and detailed future planning. Personal judgment is still an important part of management, but is exercised after consideration of all relevant factors.

The Master Budget

The International Conference on Budgetary Control held at Geneva in 1930 gave the following definition of budgeting:

> 'Budgeting is not merely control, it is not merely forecasting, it is an exact and rigorous analysis of the past, and the probable and desired future experience with a view to substituting considered intentions for opportunism in management.'

This should be closely examined, as it implies the following:

(1) The replacement of opportunism by considered intentions.
(2) The intentions result from an exact and thorough analysis of (*a*) past results, (*b*) the desired future results, (*c*) the probable future results.
(3) The intentions take the form of a detailed forecast.
(4) Fulfilment of the intentions requires the control of the actual future activity.
(5) Control is achieved by comparison of the actual results with those expected.

The object of the master budget is to supply management with the information necessary to:

(*a*) Formulate a business policy.
(*b*) Construct a definite plan for future development.
(*c*) Determine forthcoming trade.
(*d*) Control the execution of the foregoing.

When approved by them it represents the desired and probable future activity and results, and is comprised of the following: (1) sales budget; (2) production budget; (3) trading and profit and loss budget; (4) capital expenditure budget; (5) cash budget; (6) balance sheet budget.

Its preparation is the responsibility of the finance manager, in conjunction with the managers and technical staff of the sales and production departments. The draft budget would be reviewed by the general manager before being presented to the directors. Final approval rests with them and any adjustment that may become necessary during the period must be authorised by them. Few plans will be carried out in their entirety, but any major deviation of the actual results from those planned should be investigated and considered by management before it is too late to take corrective action.

Care and sound judgment are essential in preparation, as, once the master budget has been

approved by the directors, it shows what the coming year's results ought to be and the entire company's resources are then geared to that volume of trade. The prime concern of the directors is to see that the budget is being satisfactorily attained. Where this is not being done they should make full inquiries as to the cause. Modifications to the budget may become necessary as the year progresses and for this reason each budget should be regularly revised, say, half-yearly or quarterly. In practice it may be wise to prepare more than one master budget, showing the estimated result at different stages of activity. Increased sales do not always mean increased profits.

In order to make the budgets as clear as possible too much detail should be avoided, but where necessary, be provided in separate attached statements. For example, while the trading and profit and loss budget will include figures for both 'sales' and 'cost of goods to be sold', the directors will want more detailed information, and this is contained in subsidiary budgets. In this way greater emphasis can be placed upon the essential features, but it should be remembered that the directors, and not the accountant, decide the company's policy. It is the duty of the financial manager to supply the directors with all relevant data.

Wherever possible the preparation and control of parts of the master budget should be delegated to one department. The responsibility for errors is then fixed. Care should be taken to see that the estimates do not include an unauthorised and possibly undisclosed allowance for errors. Budgets are designed to localise mistakes and inefficiencies as well as to indicate economies and efficiencies.

In order to illustrate the preparation and use of the master budget, a company which manufactures and distributes its own product is assumed.

Sales Budget

This is probably the most important of all of the budgets, for the volume and prices of expected sales form the basis upon which the company's future is planned. If it is wrong, then all of the other budgets will be equally wrong. Sales may be regarded as the life blood of commerce; a steady even supply is maintained by the organisation of the entire company to produce the particular article at the time required, and at an economic cost. Over-estimation of the sales volume will result in the accumulation of stocks, which may have to be sold at a loss or, alternatively, the factory output curtailed. On the other hand, under-estimation of the market may lose potential customers. Changes in plans during the course of their execution are undesirable and usually incur expense which could have been avoided.

The sales manager is responsible for the preparation of the sales budget, which before determination requires detailed investigation. Each salesman will estimate, subject to the scrutiny of higher authority, the monthly sales for his own area. The company's past achievements, economic trends, and the result of market research would be taken into account. Both internal and external statistics will be supplied by the company's statistical branch. The effect that a change in the sales price would have upon the sales volume would be considered in relation to the cost of production and ultimate profits. In this way the sales department and each salesman are set a target which is based upon their own figure, and they know that their success will be measured largely by their own estimates.

At the same time, the selling and distribution cost would be estimated, for inclusion in the expense budgets.

The total of the anticipated sales for the coming year, to be included in the master budget, is supported by a detailed budget which may be divided into the following classifications:

(1) Type or group of product or products.
(2) Periods, e.g. weekly, monthly.
(3) Salesmen, territories, areas.
(4) Class of customer, e.g. home, export, government.

Actual and budgeted sales for the preceding year are given for purposes of comparison, and the reason for any material deviation of the actual results from those budgeted should be noted.

The completed sales estimates are then notified to the production manager, together with the desired delivery dates. The latter is important if production and sales are to be balanced. Should an alteration later be found necessary, it should be made by each department including finance, at the same time. Timing is set by the 'sales' forecasts, but rhythm depends upon their accuracy.

Each month a budget is prepared for control purposes, and is analysed into such classifications as are required; for example, products or groups of products, types of customers, territories, salesmen, &c. It compares the actual and anticipated sales for the month, and shows the variation, either 'over' or 'under', in terms of a percentage. Corresponding figures for that part of the year which has elapsed should be given,

together with the actual results for the same month and period of the previous year.

A copy of this should be supplied to each departmental manager and the general manager during the course of the next month, and, together with the other monthly reports to be given later, affords prompt and constant supervision which is essential to effective financial control. By supplying the departmental managers with reports upon the company's results, instead of only those which relate to their particular department, a tendency to view the company as a whole is fostered. Co-operation and interest in each other's achievements are essential if efficient management is to be attained.

Production Budget

The object of the production department is the production of the articles required for sale, at a cost determined after consideration of the outlay and risk involved either equivalent to or less than the price at which the same goods could be bought on the open market. Obviously the technical details are the responsibility of the production department, but the accounts and records can be designed so as to give the utmost assistance in promoting efficiency and economy; for example, by the use of cost records. Cost accountancy is an integral part of planning and control, and is a subject of which the finance manager should possess a sound knowledge. To adequately discharge its purpose each costing system must meet with the following requirements:

1. *Practical.* It should be designed to suit the particular circumstances.
2. *Simple.* Intricate systems usually involve additional expense and are not easily understood by the technical staff and others upon whom the system depends.
3. *Prompt.* It should always be kept up to date.
4. *Reliable.* The information supplied must be reliable and reconciliation with the financial records is advisable.
5. *Comparable.* Comparison with past results, or with estimates or standards, should be possible. A system which does not provide therefor forfeits a large measure of financial control over production.

Cost records are considered indispensable if the cost of future production is to be closely estimated. From them the production department is able to obtain the information needed to prepare in sufficient detail budgets for the anticipated output.

The yearly production budget may be comprised of direct labour, direct materials and factory overhead expenses, or of the cost of each product or process, as is appropriate to the business.

It is often advisable to prepare more than one budget in order to show whether a greater or lesser volume of production would result in more economy. The greatest economy in manufacturing cost will usually be achieved when full capacity is reached, but under normal trading conditions this is seldom attained. Certain factory overhead expenses remain constant regardless of production, and an increase in the latter should make for a decrease in the manufactured cost of each article produced.

The preparation of the production budget is greatly facilitated by the use of standard costing. As in budgeting, standard costing is simply a scientific estimate of what ought to happen and control is effected by a prompt comparison of the actual cost, with the estimated or 'standard cost'. The nature of the work of some concerns render it unsuitable, but its value for control purposes is such that it should be applied wherever possible.

In setting the standards, the cost of direct labour and materials is increased by a proportion of factory overhead expenses. The quantity of overheads that will be incurred at a given volume of output is carefully predetermined and then allocated over each product. Allowance should be made for seasonal and calendar influence. Materials may be temporarily unobtainable, and in some industries absenteeism is prevalent at certain times of the year.

Once set, the standards should not be altered for at least several years, unless the particular circumstances make a misleading comparison of the results of those years. For example, a change would be permissible, and may even be advisable, where a new factory has been acquired, or the layout changed, new types of machinery have been installed not being merely replacements of existing machines, or where there has been an alteration in one of the higher executives, i.e. works manager, general manager.

Not all variations from the standards set are controllable. The cost records should be designed so as to separate those normally beyond the control of management from those more susceptible. Quantity is generally more controllable than price and is a measure of the economy and efficiency in production. The following are examples of variances, usually controllable:

1. *Materials.* Quantity used.

2. *Labour:* (*a*) Time taken; (*b*) quality used, i.e. where work could be done by less skilled or cheaper labour.

3. *Overhead.* Quantity incurred.

Those usually uncontrollable are:

1. *Materials.* Price.
2. *Labour.* Wage rates.
3. *Overhead.* Price.

Each of these differences can be segregated and appropriate action will be taken before it is too late. Other causes of variances in overheads, which are partly controllable, are:

1. *Volume of production*, i.e. amount of expense absorbed in production.
2. *Idle time*, the cost of not doing work.

Means of control are provided in the following schedule, which should be prepared monthly. Comparison is made between budgeted and actual production, and between standard and actual cost. A suitable explanation for a variation in the former should be forthcoming, but a variation in the latter is analysed in order to trace the cause, investigation of which may be warranted.

The most prolific fields for cost reductions are direct material and direct labour. Savings, of even a small amount, when effected in each article produced make a large contribution to economy. Overhead expenses will be compared with those anticipated, and further investigation may be advisable in regard to idle time, the reason for overtime, &c.

Where the use of standard costs is impracticable the cost records should afford the maximum amount of comparison either with past results or estimates. Quotations for contract, job, or order costs usually consist of labour, time and price; material quantity and price; and an allocation of overhead, and so apply the principles of standard costs.

(*To be concluded*)

PRODUCTION SUMMARY

Month of November, 19

	Total	Departments		
		A	B	C
Budgeted production at standard				
Actual production at standard				
Production—Over or under				
Actual production at standard				
Actual production at actual cost				
Variation—Over or under				

ANALYSIS OF VARIATION

	Total	Controllable			Uncontrollable		
		A	B	C	A	B	C
Direct Materials:							
Quantity							
Price							
Direct Labour:							
Time taken							
Wage rates							
Oncost:							
Quantity							
Price							
Fixed expense over- or under-absorbed							
Variation (*as above*)							

NORTH AMERICAN COMMENTARY—XXII

Current Accounting Opinions in the United States and Canada

by KENNETH F. BYRD, M.A., B.Sc.(Econ.), A.C.A.,
Professor of Accounting, McGill University, Montreal

(*Illustrations by Eric Byrd*)

Journal of Accountancy, New York, September, 1950

Accountants Liability

THE editorial refers to the initiation of a case against an accounting firm by trustees of a bankrupt corporation as 'a shocking warning of the hazards to which professional accountants are exposed'. Without apparently any allegation of wilful fraud or connivance, such as was considered fundamental in the *Ultramares Corporation* case, the damages claimed are said to be fantastic. The same term is also given to the idea that auditors should assume the full burden of liability for losses incurred by creditors through the fault of management in its day-to-day decisions.

Personnel Testing Programme

A total of 25,462 tests is reported as having been given in the colleges between 1st March and 30th June, 1950, and in addition tests at the professional level were given to nearly 1,000 employed accountants. The force of certain criticisms reported recently is acknowledged, but within these limitations the editorial states that the value of the tests, for both colleges and the profession, is undeniable and the whole project is termed 'of basic importance to the future development of the accounting profession'.

Budgeting for Profits

Mr. John D. Grayson, C.P.A., Controller of the Magnavox Company, says the Controllers' Institute of America, has an active national committee doing research into the present-day budget habits of corporations. He favours variable budgets worked out with foremen and departmental heads, after which he says that 'the controller's golden opportunity of justifying his position to top executives' is the presentation of daily, weekly or monthly actual-to-budget statements.

Current Developments in Auditing

Referring to the examination of financial statements, or so-called balance sheet audit, Mr. Alvin R. Jennings, C.P.A., chairman of the American Institute's Committee on Auditing Procedure, points out that the growing importance of the statement of operating results has made the latter term outmoded. He emphasises that the essential reason for the prevalence of this type of audit is the fact that business now depends more on its internal control and less on the independent audit for safeguarding its assets. Stressing the importance of the independent accountant's retention of the right to decide how he should form his opinion, he indicates inventories and accounts receivable as the two areas in which the profession has agreed to subordinate the individual's judgment. Yet he says that a survey made in Detroit reveals the proportions of reporting accountants, not necessarily members of the American Institute, who followed the required procedures for inventories and receivables, to be only 54 and 45 per cent. respectively. The problem of nonconformists with the required standards is considered serious, and the Institute's Committee on Auditing Procedure hopes to enlist the co-operation of state societies in a projected campaign to deal with it.

Its practice is to illustrate approved procedures by the issue of typical case studies of which eight have so far been issued. Three are to be issued in illustration of the evaluation of internal control in specific circumstances, since it is said there is still much uncertainty among accountants in regard to this. Other problems under consideration are the auditor's responsibility for post-balance sheet events and the advantage to the auditor of the natural business year as against the possibility of pre-balance sheet verification of assets. Mr. Jennings thinks it appropriate for the independent accountant to do virtually all his examination before balance sheet date, if internal control is reliable and there is reasonable stability of operations in the last quarter. The increasing trend is said to be in this direction, with a written agreement with the client that the object of the examination is not to disclose irregularities.

Generally Accepted Accounting Principles

Mr. Stanley E. Shirk, C.P.A., states that the numerous differences in accounting procedure recommended by many regulatory bodies rise up

and haunt the professional accountant in his day-to-day practice! He selects as the most serious case of divergence the 'all-inclusive' and the 'current operating' concepts of the income statement. The American Institute's committee on accounting procedure permits items outside 'the usual or typical business operation of the period' to be put direct to surplus (the appropriation account), whereas the Securities and Exchange Commission and the American Accounting

'. . . *rise up and haunt the professional accountant.*'

Association oppose this as misleading. Mr. Shirk says that often the independent accountant may give his opinion that financial statements which follow the current operating concept fairly present the financial position, only to find months later that the S.E.C. insists on alteration to the all-inclusive basis. As only one figure of net income can be in accordance with generally accepted accounting principles, the accountant must take exception in his report filed with the S.E.C. He urges that 'the government-granted power of a regulatory body should not be used to nullify an accounting principle which is otherwise generally accepted'. He suggests the formation of a selected group representing all bodies to develop one set of principles acceptable to all.

Harvard Business Review, Boston,
July and September, 1950

Accounting for Pensions

In his 1950 Dickinson Lecture, Professor Arthur H. Dean, of Harvard Graduate School of Business Administration, examines the accounting implications of the huge pension commitments now being undertaken by large corporations in America. The points elaborated are: (1) Part of to-day's income must be saved and invested in new and additional means of production to finance the cost of pensions. The attitude which the writer so strongly opposes is that attributed to the Steel Fact Finding Board in its report to President Truman, viz.: 'Although immediate and generally foreseeable ability to pay is very important in wage rate determination, it is not as important in the questions of social insurance and pensions'; (2) The liability to be provided for must be carefully considered, and the manner of provision; (3) As to funding, Professor Dean points out that while many companies fund in part, the unfunded plan with adequate reserves invested in the business may give greater security if the business remains prosperous. Investment in the business will preserve real savings accumulated for the employees and use them to expand productive facilities; (4) By the vesting method the full cost is provided for as the employees' rights vest on retirement, but this is only at the expense of continuing employees; (5) The provision method makes charges related as nearly as practicable to the services on which the pensions are based, by provision out of each year's income for the full estimated current cost. In addition past service costs are written off over

'Accounting for Pensions.'

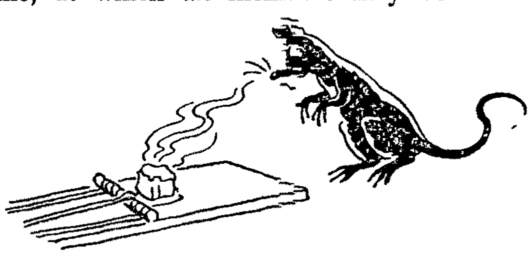
a period of years. This method is the most difficult for accounting and has various imponderables, but it leads to the least distortion of income; (6) The spreading of past service costs over future years is shown to be equitable, since future production will presumably benefit from retirement of the old and replacement by younger, more productive workers; (7) Professor Dean would encourage investment of a liberal portion of pension funds in carefully selected common stocks, to some extent those of the com-

pany itself, depending on the circumstances. This would avoid the inevitable losses inherent in long-term fixed-interest securities through the fall in money values. He points out also that government bonds may well not be used to finance increased production, which is the essential need. Thus the Federal Social Security funds have been partly employed by the government in deficit financing.

The Canadian Chartered Accountant, Toronto, October, 1950

Accountants' Staff Problems

Dealing particularly with the small accounting firm, Mr. Milton E. Mandel, C.P.A., stresses the value of frequent staff meetings, in the employer's time, at which all members may voice their views. He says that some firms have an incentive plan by which staff members may share in fees on a percentage basis, while other firms pay bonuses based on a job well done or a difficult assignment.



'. . . incentive plan.'

Dominion Association's Annual Meeting

Mr. Clem L. King, F.C.A., secretary of the Dominion Association of Chartered Accountants, summarises matters reported at the annual meeting. A new bulletin on 'The meaning of the term "Cost" ' has been approved for publication, while topics now under discussion are depreciation and the meaning of 'market' in inventory valuation. Bulletins are being prepared on (1) the auditor's report and the extent to which he may rely on internal control; and (2) the extent to which the auditor may rely on the words 'as determined and certified by the management' in regard to inventory on the balance sheet. The sub-committee on personnel selection recommends the adoption of a simple testing programme as soon as possible, its use in British Columbia having proved a valuable aid in selection of student personnel. A full-time director of education is to be retained to develop a uniform course of instruction for the uniform examination of the provincial institutes.

WEEKLY NOTES

The Capital Levy

This week has seen both the authoritative and the ridiculous so far as proposals for an attack on capital resources is concerned. The second instance was a report in the Press over the week-end that the Government were considering a capital 'freeze' which would prevent all purchases and sales of securities except to finance business expansion and other 'approved' outlets. The object would be that no one would be allowed to draw on capital to finance a 'high' standard of living. Much might be said in sarcastic vein about the effect of such proposals on the Stock Exchange and the vast body of persons and institutions (of all political hues) which would find themselves with frozen assets. It is sufficient to say that the worst affected by such a scheme would be the Government itself, for its credit at home and abroad could hardly withstand the consequences of making its debt non-negotiable. Last Monday brought rapid reports that no such crude scheme had been considered by the Cabinet or any Cabinet committee.

The authoritative opinion comes from Mr. S. P. Chambers in the latest issue of 'Lloyds Bank Review'. The article is to be recommended as a careful and thorough analysis of the public discussion over the last three decades on the feasibility of a capital levy as a means of reducing the national debt and as a means of switching resources. Mr. Chambers' conclusion, which is shared with economists, is that a capital levy would do nothing to redistribute resources since the levy would be paid out of savings.

Appeal for Fuel Economy

There have been two further developments over the last two weeks in the fuel crisis. The Prime Minister called a special meeting of the miners at Downing Street to impress upon them the need for a large effort to increase coal production over the next three months. Second, the Minister of Fuel and Power made a special appeal to consumers on the radio last week-end.

Coal stocks are at present running at something around two million tons below the level at this time last year. It needs only another prolonged spell of very cold weather such as was experienced last month to reduce stocks to danger level. The Prime Minister asked the miners for an additional three million tons to be raised in the next four months to April. The response to a request for an extra Saturday shift to be worked at all pits was not as encouraging as first reports suggested. It was worked at only 693 pits out of a possible number of 835.

Voluntary efforts by the consumer to reduce consumption at peak periods will help to a limited extent to reduce the dangers of a fuel crisis. But it is clear that the two chief factors will be the ability of

the miners to raise additional tonnage, and the state of the weather. Given a big spurt by the miners and a long mild spell, the economy may get through with nothing worse than a series of irritating and dislocating power cuts. If the weather conditions of December return there may yet have to be a wholesale switch of supplies from domestic consumers and certain industries in order to stop the power stations from running down.

Life Assurance in 1950

With the publication of the new life assurance business written last year by the Prudential Assurance Co., it is possible to get a fairly accurate idea of the total life assurance written by the market. Figures are now available for forty-seven offices. The total of life assurance business last year, including group assurances and deferred annuities (where these are disclosed or written into a company's total figure) was about £519 million compared with £469 million for the same forty-seven offices in 1948. This represents an increase of 11 per cent., a performance in marked contrast to the other conventional indicator of the trend of private savings, namely, the national savings certificate figures.

It was pointed out in these notes last year that the rate of increase in the business of offices with a large industrial assurance interest was less buoyant than in the year before. It would seem that this trend continues. In the case of the Prudential, for instance, whose figures are by far and away the largest in any year, the increase over the year has been under 4 per cent. compared with the average of 11 per cent. Last year, of course, there was added to the pressure of the cost of living on the lower-income groups the threat of mutualisation which may also have affected the turnover of industrial offices.

Cotton Commission Resignation

The resignation was announced last week of Mr. H. O. R. Hindley from the chairmanship of the Raw Cotton Commission.

Steel Scrap Appeal

An appeal was launched last week under the joint auspices of the British Iron and Steel Federation and the National Federation of Scrap Iron, Steel and Metal Merchants for additional supplies of scrap iron. A letter has been sent to 15,000 users of iron and steel stressing the urgency of increasing available supplies.

The request is for a thorough search to be made once more in works, shops and stores for scrap and for a speedier despatch back through the usual channels to the steel furnaces. It is pointed out that there would be useful quantities forthcoming if obsolete plant were dismantled where this can be discarded immediately.

Another approach on the same subject is to be made to the Services, Government departments, local authorities and industry—this last through the Federation of British Industries.

Provided that another million tons or so of scrap can be secured from home sources it is likely that the present high level of output in the steel industry can be maintained. This gap of a million tons is caused mainly by the difficulty of getting supplies from Germany on the same scale as in the past. There is now a world shortage of scrap and, in addition, the German steel industry is becoming increasingly interested in scrap supplies. The importance of maintaining a high level of steel production in a period of rearmament needs no emphasis.

Steel and Car Output

It was announced by the Society of Motor Manufacturers and Traders last Tuesday that several car manufacturers will reduce their working week as from next Monday. A shortage of steel is the reason for the cutback in output. No improvement in the outlook for supplies is expected until later this year, when the new steel strip and sheet unit at Margam in South Wales is due to go into production. It is reported that some, but not all, of the 'Big Six' are involved in the reduction in output. A few of the firms concerned may go on to a four-day week.

Steel may be the cause of an immediate fall in production but, taking the year as a whole, it is possible that steel will not be the largest of its worries. There are vital raw materials besides steel, such as certain of the non-ferrous metals, which may be more scarce in the later months of the year than steel. Some of these are not used in large quantities, but they are vital none-the-less.

It would seem that any dislocations which hit the industry will be more serious in their effect on the supply of cars and commercial vehicles than on the firms which make them. Many companies will have to take on armaments orders, for which they will receive a priority in the way of raw material supplies.

Zinc to be Allocated

The first allocation of industrial raw materials was announced recently by the Ministry of Supply. Because it is the first of its kind since the end of the war, the principles involved are of interest to those who have no connections with the zinc industry, as well as to those who use it as a raw material.

It is clear that at the moment the Ministry is feeling its way and is concerned to introduce a system with a degree of flexibility rather than one which will on paper give the authorities complete control over the ultimate uses of zinc. Both these attitudes are to be commended at this stage. From 1st February, there is to be a prohibition on the use of zinc and its substitutes (copper and brass, in many cases) over a range of some 200 end-uses. Zinc supplies are to be cut over all by 40 per cent. and from 1st January a monthly allocation scheme has been introduced on a month-to-month basis.

FINANCE AND COMMERCE

For the present, at least, the evidence of inflation and the possibility of higher ordinary dividends appear to provide the main factors in the stock market position. While under immediate circumstances markets may continue to be affected by such factors, present strength may prove to be very much a case of 'make hay while the sun shines'. After the Budget it will possibly be easier to calculate how much extraordinary profit industrial companies may be allowed to maintain and what dividend prospects are. There is enough time in the interim, however, for increased profits and dividends to have quite marked effect on share values. There is always a possibility, on the other hand, that political and economic uncertainties will not be as completely overlooked as they appear to be now. Whatever the reasons, it is at least pleasing to record increasing stock market activity. Business is at a better level than for well over a year, in fact since devaluation in September, 1949.

Coventry's Civic Chest

For this week's reprint, we have dipped into Coventry's Civic Chest. This is the title of a pictorial booklet issued by the Coventry City Fathers to explain the mysteries of municipal finance to the citizens.

A foreword from the Coventry Treasurer's Department avers that 'complexity of modern local government' is a 'living and baffling problem to the administrator even when he comes to the prima facie simple job of compiling a booklet aimed at making clear to the layman the financial operations of his city council'.

But though for the layman, this publication is not for the 'casual reader'. It has been designed for the 'serious minded citizen, the older scholars and the innumerable associations and societies where affairs are discussed'.

The problem has been tackled, says the foreword, by showing first the overall picture of the local authority's operations followed by more detailed financial information about a few of the services. 'It would be impossible,' the foreword continues, 'to fill in the detail for all the services without making the booklet too large, the matter too indigestible and the cost prohibitive. In future years, however, other services would be selected for detailed treatment. Thus over a period of three or four years, the booklets, should they continue, would give the citizen the complete answer to the vital question: What happens to my money after its compulsory transfer from my pocket to that of the city council?'

At this point we are one with the City Fathers. The stewards should render account.

Isotypian

To achieve this object, the City Fathers not only render the account of their stewardship in the ordinary symbols, £ s. and d., but translate these terms into 'diagrams of the Isotype Institute', and this Institute, we are told, 'had its origin in an attempt to bring before the citizens of Vienna, simple graphic representations of their communal services'.

Here we become critical. It has been said in the political sphere that £ s. and d. are 'meaningless symbols'. We beg to differ. They form a language used by us all from the first spending of pocket money to our final payment of death duty through our personal representative, the executor. In this language we give the facts represented by the reprinted diagram. At this point we must explain that plain simple figures are provided in this booklet for those who fail to make sense of the diagrams. Below are the plain simple figures.

What Could be Simpler?

Another of these diagrams shows the cost of educating a child in a primary school for a year. In the centre are fourteen blue circles, seven green, and one half black, half red. Around this are pictures of Coventry's City Hall, the Houses of Parliament; a teacher, a school desk, a book and a pen. The pictures connect to the circles by coloured arrows. Each circle and each arrow represents £1. In the language of £ s. and d., what this amounts to is that teachers

The sources of the Corporation's loan moneys and their allocation to the various services at 31st March, 1950

Sources

	£
Borrowings on the Stock Exchange	4,825,692
Borrowing from Government Agency	3,899,778
Borrowings from local sources	1,653,793
Borrowings from Council's internal funds	1,024,589
	£11,403,852

Allocations

	£
Trading Undertakings:	
Transport	286,216
Water	919,007
Housing	5,321,341
Redevelopment	673,281
Others	27,150
Rate Fund Services:	
Roads and Sewers	516,618
Sewage Disposal Works	117,382
Education	911,006
Corporation Estates	243,065
Other Services	192,401
Services now Nationalised:	
Loan Charges repaid by other bodies—	
British Electricity Authority (Electricity Undertaking)	1,386,142
West Midlands Gas Board (Gas Undertaking)	766,325
Ministry of Health (Hospitals)	43,918
	£11,403,852

cost £13 15s. per child; provision and maintenance of buildings and equipment £7 9s. 2d.; books, stationery and materials 13s. 3d.; and school clerks 10s. 5d., the whole cost per child adding up to £22 7s. 10d.

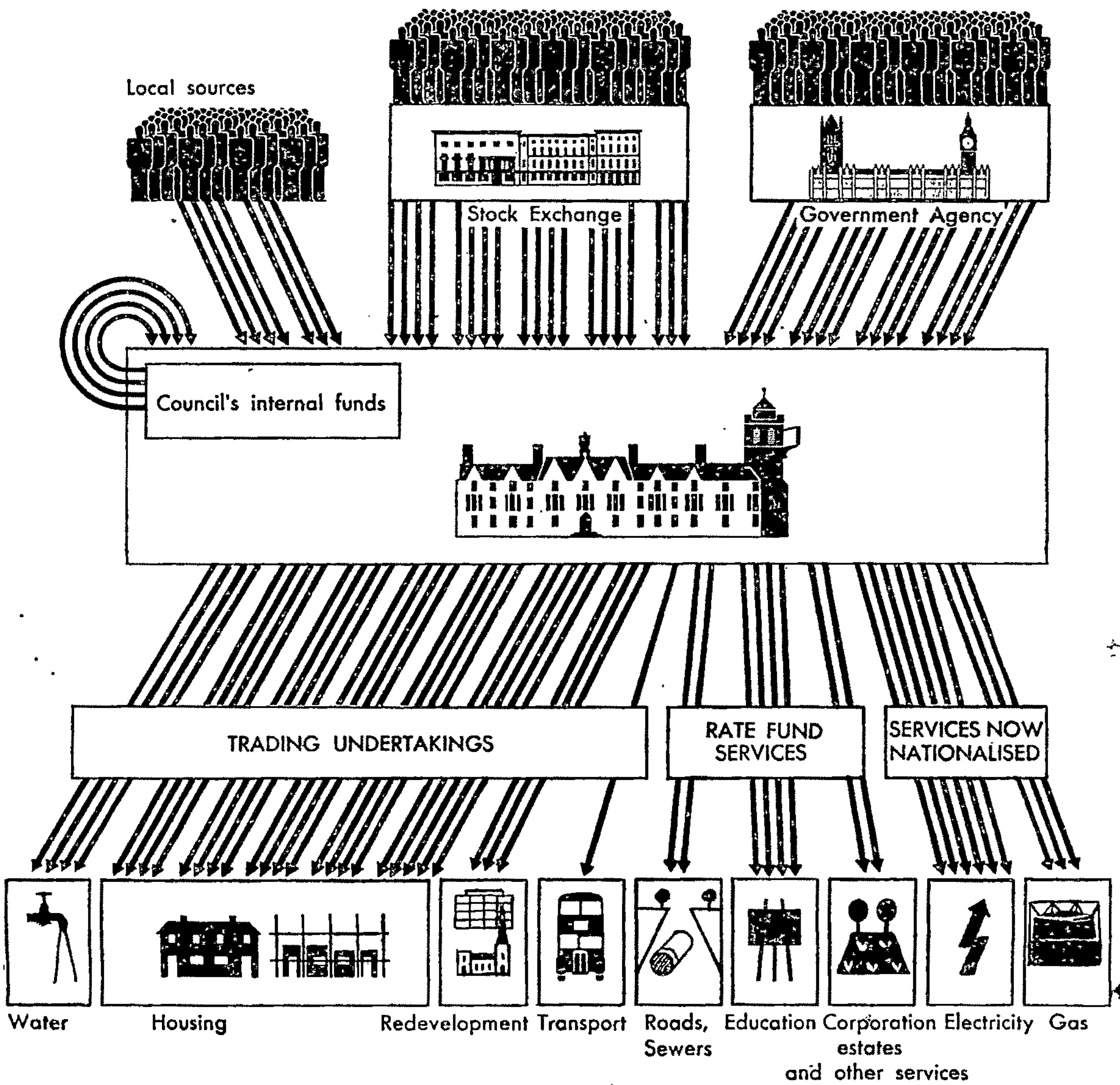
What could be simpler, especially to citizens, most of whom can calculate odds and permutations, darts scoring and P.A.Y.E.

We admit we may be wrong in failing to appreciate the informative value of these Isotype diagrams. Maybe it is just a matter of learning a new language which, once acquired, could be a passport to a deeper understanding of the meaning of money. Perhaps our readers would care to say what they think. Some may have had more experience of this sort of thing than we have.

Money Market

With tenders, for the £240,000,000 of Treasury bills offered, totalling £301,410,000 the market received 70 per cent. of its stated bill requirements on 5th January compared with 82 per cent. the week before. The average rate was 10s. 3.35d. per cent., and this week's offer is reduced to £230,000,000. There is no call against Treasury deposit receipts this week.

The sources of the Corporation's loan moneys and their allocation to the various services at 31st March, 1950.



Each arrow represents £250,000.

CURRENT LAW

Damages in Contract

The question of damages for negligence of a solicitor's managing clerk in connection with an action for possession of a house came before Barry, J., recently in *Bailey v. Bullock and Others* (*Solicitors' Journal*, 28th October, 1950) and was decided in favour of the plaintiff.

The learned judge found that the plaintiff had suffered substantial inconvenience as a direct result of the defendant's breach, that the damage was not too remote, that the consequence should have been reasonably contemplated by the defendants. In *Groom v. Crocker* ([1939] 1 K.B. 194) the Court of Appeal held that the rights and duties of a solicitor in relation to his client were regulated by the contract of employment and that a solicitor was not liable in tort. Here there was a breach of contract and the plaintiff therefore succeeded.

Loan to Repay Gambling Debt

The Accountant for 2nd September, 1950, reported briefly on the case of *MacDonald v. Green*, in which Slade, J., held that the plaintiff was entitled to recover. The plaintiff had lent the defendant the sum of £4,020 to enable him to settle the debt he owed to the firm of bookmakers of which the plaintiff was the managing director and chief shareholder. The plaintiff's cheque was handed to the defendant by a servant of the firm, endorsed by the defendant, handed back and subsequently paid into the firm's account.

The Court of Appeal allowed the appeal of the defendant on the ground that it was agreed between the parties that the cheque should be paid into the company's banking account and, therefore, it was paid in respect of a gaming contract within the Gaming Act, 1862. If the plaintiff had advanced money to the defendant without binding him to repay the sum advanced, then it could have been recovered. (*Law Journal*, 8th December, 1950.)

Private Company: Fraud on Minority Shareholders

M. J. was the managing director of a private limited company, and a large shareholder. The company's articles included that a member could sell his shares by private arrangement to another member but, before selling to a non-member, had to offer them to the other members at a price to be settled by the company's auditors. Only after that had been done could any shares go to non-members.

In 1948 M. J. proposed to sell the shares he controlled to S., a non-member, under an agreement by which the board was to resign and M. J. to receive from the company at the instigation of S. the sum of £5,000 for him also to resign. No compensation was to be paid to any one else The company passed at an extraordinary general meeting the following special resolution:

> 'Notwithstanding the foregoing provisions of this article (Article 10, referred to above), any member may with the sanction of an ordinary resolution passed at any general meeting of the company, transfer his shares or any of them to any person named in such resolution as the proposed transferee, and the directors shall be bound to register any transfer which has been so sanctioned.'

A minority shareholder tried to upset the transaction as sacrificing the interests of the minority shareholders without offering any reasonable advantage to the company.

The Court of Appeal held that the £5,000 was part of the purchase price to be paid by S. and, while it was to be paid out of the company's assets, it did not follow that the resolution was a fraud on the company. They held further that it was not necessary that voters should dissociate themselves from the project altogether and consider whether it was for the advantage of the company as a going concern. In view of the directors' power to refuse registration, the minority shareholders were in no worse position as to obtaining leave to sell to a non-member, and thus they were not prejudiced and had no right to assume that a company's articles would remain in any particular form. While M. J. had behaved with grave indiscretion, he had received no more than any other seller of shares and bad faith could not be imputed to him. (*Greenhalgh v. Arderne Cinemas Ltd. and Others.*) (*Law Times*, 8th December, 1950.)

Donatio Mortis Causa

In *Birch v. Treasury Solicitor*, the Court of Appeal reversed the decision of Roxburgh, J., given against the plaintiff who claimed deposits in four banks as a *donatio mortis causa*. The deceased had sustained serious injuries and told the plaintiffs to collect from her flat her bank books and stated that she wanted them to have the money if anything happened to her. She later died.

The Court of Appeal held (*a*) that there was a sufficient delivery to the plaintiffs and (*b*) that there was the requisite *animus donandi* having regard to acts done after delivery. The third question was not so simple, whether the bank books were sufficient *indicia* of title to give effect to a valid *donatio*. There was no difficulty in regard to the balance in the Post Office Savings Bank; this had been already settled (*Re Weston* ([1902] 1 Ch. 680)). As regards deposits in a London trustee savings bank, Barclays Bank and Westminster Bank, was each bank book the essential *indicium* or evidence of title, possession or production of which entitled the possessor to the money? No such general practice had been proved as would lead to the conclusion that production of the books had become a dead letter. Thus this requirement also was satisfied. (*Solicitors' Journal*, 23rd December, 1950.)

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Employment Agency Charges

SIR,—In your issue of 2nd December, 1950, 'Analysis' asks if salaries paid to additional staff obtained from an agency should be debited to office salaries account; well, where else are you to debit them?

'Analysis' says it would be bad practice because the agency makes a profit. What is the point? I asked one of my own typists about this, and she says that out of the miserable pittance I pay her, including a box of chocolates at Christmas and a nice kiss on her birthday, she makes a profit. Indeed, were it not so, she would not work for me at all.

In this particular case, would 'Analysis' wish me to have four separate items in my profit and loss account, viz. salaries, typists' profit, gratuities and entertainment? I think not. Anyway, I am not going to do it.

All the managing director wants to know at the end of the year is what the office staff cost him, and, therefore, all office salaries, including those of permanent staff, temporary staff, staff obtained from an agency, and pin-money paid to the wife's sister who helped out in an emergency, should be debited to office salaries account. Analysis of the item will be, eventually, a matter for the board room, not for the balance sheet.

Methodical habits of analysis, tidyness and precision can be carried too far; there is a case on record of an item in an inventory of a deceased's estate reading:

> 'One small cardboard box bearing the legend in the deceased's handwriting "*Little pieces of string of no use*".'

Whilst this an extreme case, it shows what excessive zeal can lead to, and such zeal is therefore to be deprecated.

Incidentally, 'Analysis' seems to take it for granted that salaries paid to temporary staff obtained from an agency are higher than those paid to the permanent staff; this is not necessarily the case—they may be less. Either way, they are still salaries, and should be debited accordingly.

Yours faithfully,

London, E.C.2. RALPH A. HADRILL.

Cost of Drawings and Designs: Whether Allowable

SIR,—In reply to the enquiry of your correspondent 'S. S. J.' in your issue of 23rd December, 1950, I submit that the question of allowing the cost of drawings and designs by an outside staff should be dealt with in the following way.

If new types of machinery were needed very frequently in order to cope with an ever-changing market, the cost of drawing and designing would be chargeable to revenue as an operating or profit-earning expense, whether done by the firm's own staff or an outsider. In the case of a purely occasional obsolescence where, say, the machine is perhaps to be large, intricate, or expensive to produce, and built, or intended for many years' duration, the cost of drawing and designing might become an item of capital expenditure spread over the life of the asset. Where both sets of conditions exist side by side in the same business, then the cost could be apportioned as between capital and revenue.

The fact, as your correspondent states, that these expenses were originally claimed and allowed by the Inspector of Taxes because the firm's own drawing office would otherwise have done the work themselves does not seem to go quite far enough. Whoever performs it matters not so much as the nature of the asset concerned in determining whether such expenditure is of a capital or revenue requirement.

As no new design has been produced for sixteen years, I think the new Inspector is probably influenced by the capital appearance of the whole matter, and as the cost in question (previously allowed as a revenue expense) does not wholly take place in the year under review, he feels obliged to reopen the accounts of earlier years.

However, these, I suggest, should all be allowed to stand in order to avoid extra work and possible complications, whilst future balance sheets should include appropriate expense items, either as part of the asset concerned or as development expenditure, to be written off over so many years on a basis agreed with the Revenue authorities. Then such system as is arrived at would be followed for future years, subject to appeal.

Yours faithfully,

WILLIAM L. NEWTON.

East Molesey, Surrey.

Salary Earned Abroad

SIR,—I am engaged in an argument with an Inspector of Taxes as to the liability to United Kingdom income-tax on salary received by an employee of the Navy, Army and Air Force Institutes whilst employed in Austria. Perhaps some of your readers have had experience of similar cases and I should be grateful for any information which they could let me have.

As to the present case, the Inspector asserts: (1) that had the employee remained abroad a full fiscal year he would not have been liable at all, as he would have been considered non-resident; (2) that because he returned to England permanently before he had completed a full fiscal year abroad, he was regarded as being resident for the whole time he spent abroad and was liable to tax on the full amount of income arising during that period.

The inference to be drawn from (1) is that the income did not arise in the United Kingdom, as, if it had so arisen, the employee would have been liable to tax whether he was resident in the United Kingdom or not. I have therefore maintained that the income arose from a foreign possession.

I do not challenge the Inspector's view that the employee became resident because he was not abroad a full fiscal year, but I maintain that the assessment should be under Rule 2 of the Rules applicable to Case V of Schedule D, and should therefore be on remittances only.

Yours faithfully,
J. M. PEACOCK.

Abbey Wood, London, S.E.2.

Solicitors' Accounts: Property Completion: Stakeholding

SIR,—With regard to 'Hairsplitter's' letter in your issue of 23rd December, 1950, surely it is only a matter, as Kipling says, of 'truth and God's Own common sense'. Whether or not the deposits are credited to an account in the name of the client of the solicitor or the expectant purchaser, the deposits should certainly be paid into the clients' banking account as money held on behalf of a third party.

Yours faithfully,
R. S., F.C.A.

Valuation of Stocks in Consolidated Accounts

SIR,—With regard to the query of 'C. W.' in your issue of 6th January, I would say that there is no doubt that the stock valuation should be reduced by the unrealised profit as he suggests—despite the fact that this means different valuations being placed on similar articles manufactured in and outside the group. Surely such variations frequently occur when two or more parcels of stock, bought from the same source at different times and prices, are valued at cost, this being below market value.

If the goods are not identifiable by source, I would suggest that the reduction should be applied to that proportion of the stock which the purchases from the fellow-subsidiary bear to the whole.

Yours faithfully,
HILBY.

Trust Accounts: Income Tax Allowances

SIR,—I should be pleased to know readers' opinions as to the correct treatment, in trust accounts, of income-tax allowances under Section 33, Income Tax Act, 1945 (in respect of capital expenditure on agricultural property).

Are such allowances to be taken as reducing the taxation charge on the trust income, and hence augmenting the balance available for the life tenant, or should the taxation relief obtained be taken to be an increment to the corpus of the estate, thus accruing to the benefit of the remainderman?

Yours faithfully,
TRUST ACCOUNTANT.

Retail Chemists and the Companies Act, 1948

SIR,—The difficulty with which your correspondents ('Brooks & Co.', in your issue dated 6th January) are faced is a familiar one in most provincial practices.

Owing to the arbitrary method used by the paying bureaux to calculate the final payment due for any month, any estimate is liable to be at considerable variance with the amount ultimately received. In my view there is no alternative but to delay the completion of the accounts until all outstanding amounts have been received, so that an accurate figure of debtors is included. A cash basis will not serve, as drugs are dispensed and medical supplies handed out on presentation of a prescription by a customer, and the cost of these items will be included in purchases.

The unavoidable delay in completing accounts need not prevent estimated figures being used in provisional accounts drafted for the consideration of directors, but the requirements of the Companies Act, 1948, are categorical.

Yours faithfully,
Leigh-on-Sea, Essex. LESLIE C. KNIVETT.

Income Tax: Remuneration Voted after End of Accounting Year

SIR,—In a large number of cases remuneration is voted to directors (and other employees) after the end of an accounting year, but in respect of services rendered during that year.

It would appear that Inspectors of Taxes have three methods of arriving at the remuneration assessable to income-tax, which figure, of course, is also used, when applicable, for the purposes of sur-tax. The three amounts known to me to be assessed are:

(1) The remuneration charged in the accounts ending within the year of assessment.
(2) The actual amount of remuneration paid during the fiscal year, i.e. the amount appearing on the tax deduction card for the year of assessment.
(3) The remuneration actually applicable to the year of assessment, calculated by apportioning the charge in two years' accounts when these overlap the fiscal year.

There would seem to be little doubt that the earnings of the individual for a particular fiscal year are as calculated in (3), but in many cases the use of this figure for income-tax and sur-tax purposes will involve a delay in the assessments being made.

I shall be pleased to know readers' views whether, in fact, there are any grounds for disputing an assessment made on earnings not calculated by reference to (3) above, or whether one is bound to accept the assessment on an hypothetical figure for earnings, in order that the taxes due may be more speedily collected.

Yours faithfully,
Wanstead, E.11. A. D. CHEGWIDDEN.

Excess Profits Tax: Post-war Refunds

SIR,—With reference to the letter from Mr. G. G. Ross in your issue of 16th December, 1950, on the above subject, I think the points raised are largely covered by two pronouncements made by the Excess Profits Tax Refunds Advisory Panel, the second being in reply to enquiries made by the Institute.[1] They are as follows:

> *8th November*, 1946: '. . . the receipt of a refund will normally give rise to an increase in the net worth of the business concerned . . . the Panel will expect this increase in net worth to be shown and maintained separately on the balance sheet of the business as a capital reserve.'
>
> *29th September*, 1949: 'Provided that it is quite clear that the full amount of the refund itself has been properly used, the Advisory Panel would not raise objection to the capital reserve created by the receipt of the refund being capitalised (either alone or in conjunction with other reserves) for the purposes of an issue of bonus shares.'

Failing an issue of bonus shares, it would seem that the only alternative is to retain the credit balance as a capital reserve on the balance sheet indefinitely.

Yours faithfully,

London, W.3. W. M. COLES.

[1] See the report of a meeting of the Council of the Institute on 5th October, 1949, published in *The Accountant*, dated 15th October, 1949, at page 425.

Income Tax Reform

SIR,—I applaud the article by N. J. Rush, F.C.A., on 'Income Tax Reform' (23rd December, 1950), although it does not progress as far into the realm of simplicity, &c., as I should like.

The ultimate objective should be: (1) Income-tax at a flat rate; (2) Payment through the Post Office and/or bankers of: (*a*) income-tax allowances and reliefs, (*b*) national insurance benefits and grants, (*c*) family allowances.

Yours faithfully,

A. HOLLAMBY ROBINSON.

Chesham, Bucks.

Private or Public Company?

SIR,—In a recently published prospectus I observe the procedure followed was to register the company as a private company with a capital of £100, and within three days afterwards convert it into a public company with a much increased capital.

I have noticed the same procedure in many similar advertisements. Can any readers suggest the advantages to be gained from this, apparently, cumbersome procedure?

Yours faithfully,

Connah's Quay, Chester. W. LIPTROT.

Company's Accident Policy

SIR,—A trading company has effected an accident policy in respect of its two directors and three key employees, whereby in the event of an accident a lump-sum amount will be paid in respect of the director or employee's death or total disablement, and a weekly sum will be paid in the event of partial disablement.

Readers' views are invited as to: (*a*) whether the annual premium is admissible wholly or partly as an expense deductible from the company's income-tax profits; (*b*) whether any sums recovered under the policy are wholly or partly to be included as part of the company's taxable profits.

Yours faithfully,

MANDY.

Depreciation and Replacement

SIR,—After reflecting upon Mr. Ashley's letter under the above heading in your issue of 30th December, 1950, I feel constrained to suggest that it is time accountants asked this question.

Where the value of money has altered materially, is it for accountants to adopt the principles of accounting so that the accounts they produce continue to show a true and fair view (assuming such adaptation to be practicable); or is it rather for accountants to look to the central government to take the steps necessary to ensure that the value of money is kept constant within narrow limits, so that the application of accounting principles will result in the production of accounts which do show a true and fair view?

It seems to me that the discrepancy which is apparent to-day between the capital recouped out of revenue, during the useful life of a fixed asset, and the replacement cost of that asset, does not arise from any defect in accountancy principles, but solely from the fact that the unit of accounting has altered in value during the life of the asset.

In the field of science the units employed are rigidly defined. The accountant has to work with a unit which, to borrow Mr. Ashley's phrase, is 'made largely of elastic'.

Yours faithfully,

Birmingham, 5. W. J. HAYES, A.C.A.

Income Tax Assessments: Time for Appeal

SIR,—Would it be possible to suggest to the appropriate authority that, by a simple clause in a Finance Act, the time allowed for appeal against income-tax assessments be altered from 21 to 28 days? I am sure this would be a great advantage to all who have to examine and appeal as necessary against such assessments.

The time, in my experience, between the date of the assessments and the date of such reaching the practitioner has proved this year to be anything between 3 and 20 days, and in a number of cases the Revenue has issued 6 years' assessments, all bearing the one date. The average time left appears to be about 14 days, and this surely is not sufficient, with all the other current work involved.

There should be no difficulty, and it would make no difference to the Inland Revenue, particularly as there is already a precedent in the time of 28 days which is allowed for appeals in the case of sur-tax assessments and profits tax.

Yours faithfully,

London, S.W.16. F. G. JOHNSON.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council, held on Wednesday, 3rd January, 1951, at the Hall of the Institute, Moorgate Place, London, E.C., there were present:

Mr. H. Garton Ash, O.B.E., M.C., President, in the chair; Mr. C. W. Boyce, C.B.E., Vice-President; Messrs. G. Adam, W. L. Barrows, Sir Harold Barton, Messrs. T. Hamilton Baynes, B. H. Binder, T. Fleming Birch, J. Blakey, W. G. Campbell, P. F. Carpenter, W. S. Carrington, S. W. Cornwell, A. S. H. Dicker, M.B.E., C. E. Fletcher, S. H. Gillett, M.C., P. F. Granger, J. Gibson Harris, D. V. House, H. Crewdson Howard, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs. P. Morgan Jones, W. H. Lawson, C.B.E., W. R. MacGregor, S. J. Pears, C. U. Peat, M.C., P. M. Rees, M.C., L. W. Robson, T. B. Robson, M.B.E., G. F. Saunders, G. D. Shepherd, M.B.E., T. G. Shuttleworth, B. Smallpeice, E. E. Spicer, C. M. Strachan, O.B.E., E. D. Taylor, G. L. C. Touche, A. D. Walker, T. Walton, H. B. T. Wilde, with the Secretary and Assistant Secretaries.

Death of Mr. William Cash, F.C.A.

The President, on the report of the death of Mr. William Cash, said:

'Our senior past president has recently passed away. I refer to Mr. William Cash who died on Christmas Day. Mr. Cash became a member of the Institute in 1889. He served as a member of this Council for thirty-three years, retiring in February, 1942.

'Throughout most of that period he was a member of its most important committees and was Chairman of the Investigation Committee for ten years from 1931 to 1941 and President of the Institute for the two years 1921 to 1923.

He took a keen interest in the students and was President of the Students Society of London from 1938 to 1947.

'Many of us here are aware of the great contribution he made to the work of the Institute during his long period of service and I would ask you to stand for a moment in tribute to his memory.'

Exemptions from the Preliminary Examination

On the report of the General Purposes Committee three applications under Bye-law 79 for exemption from the Preliminary examination were acceded to.

On the report of the War Bye-law Sub-Committee four applications under Bye-law 63 (*a*) for exemption from the Preliminary examination were acceded to, and three applications were not acceded to.

Reduction in Period of Service under Articles

On the report of the General Purposes Committee one application under Bye-law 61 for a reduction in the period of service under articles was acceded to.

On the report of the War Bye-law Sub-Committee four applications under Bye-law 63 (*c*) for a reduction in the period of service under articles were acceded to, and one application was not acceded to.

Exemption from the Intermediate Examination

On the report of the General Purposes Committee one application under Bye-law 85 (*b*) for exemption from the Intermediate examination was acceded to.

Appointment whilst Serving under Articles

On the report of the General Purposes Committee one application under Bye-law 57 from an articled clerk for permission to hold an appointment during his period of service under articles was acceded to.

Appointment to Committees

On the report of the General Purposes Committee Mr. T. Hamilton Baynes was appointed a member of the Applications, Finance and Library Committees.

Change of Name

On the report of the General Purposes Committee the Council decided that the following change of name be made in the roll of members:

Harold John Finden Crofts to Harold John Finden-Crofts.

Notes on the Accounting Implications of the Town and Country Planning Act, 1947

On the report of the Parliamentary and Law Committee the Council authorised the printing and issue to all members of the Institute of some notes on the accounting implications of the Town and Country Planning Act, 1947. (It is expected that these notes will be issued during February, 1951.)

Articled Clerks: Concessions and Exemptions under Bye-law 63

On the report of the Planning Committee the Council decided to publish the following statement:

1. The Council has resolved at a special meeting that the following exemptions from or modifications of the provisions of the Royal Charters and bye-laws may, at the discretion of the Council and subject to the conditions stated, be made in the case of persons to whom Bye-law 63 is applicable in relation to a period of whole-time national service where—

(*a*) The person was born before 1st January, 1929, and has been recalled or re-engaged for a further period of whole-time national service after an earlier period of whole-time national service. (For other persons born before 1st January, 1929, the Council's existing rules under Bye-law 63 remain unchanged; and nothing in this statement shall affect any concession or exemption under Bye-law 63 for which a person was eligible prior to his recall or re-engagement.)

or (*b*) The person was born on or after 1st January, 1929 (and was therefore not eligible for any concessions or exemptions by reason of his original period of national service), and has been recalled or re-engaged for a further period of whole-time national service. (*Note:* In the event of it becoming necessary for the Council to make rules applicable under a general mobilisation, it is the Council's intention that all the rules set out in this statement and in addition the existing rules for exemption from the Preliminary examination under Bye-law 63, shall be applied to all periods of whole-time national service by persons born on or after 1st January, 1929.)

Interruption of articled service

2. Under Bye-law 63 (*b*) a period of national service after the date of a candidate's articles will be deemed

equivalent to service under articles for the purpose of determining eligibility to sit for an examination and for the purpose of determining the date of expiration of the articles; but for the purpose of admission to membership it will be an essential condition that the applicant shall have served in the office of a practising member for a minimum period ascertained in the manner set out in paragraph 3 below. Where by reason of national service the articles have expired without the clerk having completed the appropriate minimum period in his principal's office, service for the remainder of the minimum period need not be under articles and need not necessarily be with the member to whom the clerk was articled.

3. The minimum period referred to in paragraph 2 above shall be calculated as follows (except in the case of a graduate of a United Kingdom university, for whom the minimum period shall be three years):

(a) The minimum period shall not be less than four years; and

(b) Of the minimum period not less than two years (or two years less any period in excess of two years already served prior to national service) shall be served continuously after release from national service; and

(c) A reduction below the normal period of five years shall not be allowed in the case of a person who has had not more than one year's national service; the reduction to be allowed in the case of a person who has had more than one year but not more than two years' national service shall be one-half of the period of national service; and in the case of persons having more than two years' national service, the reduction to be allowed shall be one year; and

(d) The total period of national service shall be determined by aggregating separate periods of national service.

4. It shall not be permissible for a person to enter into articles whilst he is engaged on whole-time national service.

Reduction in period of service under articles

5. In the case of an applicant whose articles are dated before the expiration of one year after the termination of his national service (or within such later period as the Council in its absolute discretion having regard to any special circumstances may think fit) the period of service under articles will, subject to the consent of the principal, be reduced under Bye-law 63 (c) to a minimum period calculated as follows (except in the case of a graduate of a United Kingdom university, for whom no reduction below the normal period of three years will be granted):

(a) The minimum period shall not be less than four years; and

(b) A reduction below the normal period of five years shall not be allowed in the case of a person who has had not more than one year's national service; the reduction to be allowed in the case of a person who has had more than one year but not more than two years' national service shall be one-half of the period of national service; and in the case of persons having more than two years' national service, the reduction to be allowed shall be one year; and

(c) The total period of national service shall be determined by aggregating separate periods of national service.

Exemption from the Intermediate examination

6. No exemptions from the Intermediate examination will be granted under the powers conferred by Bye-law 63 (d).

Permission to sit for examinations

7. Under Bye-law 63 (e) the Council will consider applications from articled or ex-articled clerks for permission to sit for the Intermediate or Final examination at a specified time although the applicant is not otherwise qualified to sit at that time. The application shall be in such form as the Council may require and will be considered on its merits subject to the following principles:

(a) An application to sit for the Final examination before the expiration of the articles will not be entertained in any case where a reduction in period of service under articles has been granted under Bye-law 63 (c) and will not normally be entertained in any other case.

(b) The Final examination shall not be taken until a period of at least twelve months has elapsed since the passing of the Intermediate examination.

Meaning of national service

8. For the purpose of Bye-law 63 the Council may decide what constitutes a state of war or national emergency or national service and, in the case of each candidate, whether he is a person to whom the foregoing rules apply and whether he has complied therewith and the decision of the Council shall be conclusive. For the purpose of the rules set out in this statement national service does not include any period of leave granted before effective commencement of national service or any period of leave granted on release from national service. An applicant will be required to submit such evidence of national service as the Council may require.

Articled Clerks whose Principals become engaged on Whole-time National Service

On the report of the Planning Committee, the Council decided to publish the following statement:

'The following rules shall apply where a principal becomes engaged on whole-time national service and his articled clerks are not so engaged:

(a) If the principal is a partner in a firm, his articled clerks may continue their service with that firm so long as at least one other member of the Institute is a partner who continues in practice and is responsible for the training of the articled clerks.

(b) If the principal is a sole practitioner (or if in the case of a firm all partners who are members of the Institute become engaged on whole-time national service) his articled clerks may continue their service provided there remains in the service of the practitioner or firm at least one member of the Institute who will be responsible for the training of the articled clerks.

(c) In all other cases it will be necessary for the articles to be transferred to another member, except that the Council may, in the circumstances of any particular case and on such conditions as it may think fit, decide that the articles need not be transferred. Where the articles are transferred, the articled clerk's original principal shall be deemed for the purpose of Bye-law 56 to have ceased to practise.'

Intermediate Examination, November, 1950

On the report of the Examination Committee the Council decided to publish the following statement:

'The Chairman of the Examination Committee reported that a candidate in the November, 1950, Intermediate examination had been found to be in possession of study notes in the examination room during one of the papers and that the Examination Committee had, after inquiry, disqualified this candidate and informed him that he would not be allowed to present himself for examination on any subsequent occasion.'

Certificates of Practice, &c.

On the report of the Applications Committee the following resolutions were passed:

(1) That certificates of practice be issued to the following forty-four associates who have commenced to practise:

Adams, Alfred William; 1935, A.C.A.; 37 Queen Victoria Street, London, E.C.4.
Ames, William George Kenilworth; 1948, A.C.A.; (Clemetson, Johnstone & Co.) and Robertson, Hill & Co.), Clarence Chambers, Clarence Street, Gloucester, and at Cheltenham and London.
Balcombe, Alfred Edward, M.B.E.; 1924, A.C.A.; (Balcombe, Pontet & Co.), 4 Francis Street, Westminster, London, S.W.1.
Billings, Philip Cockrill; 1935, A.C.A.; 5 Foley Road, Pedmore, Stourbridge.
Carter, Thomas Colin; 1938, A.C.A.; (*Christie, Carter & Co.), 41 Galgate, Barnard Castle, Co. Durham.
Citroën, Michael Alan; 1950, A.C.A.; (Citroën & Citroën), Natex House, 38 Langham Street, London, W.1.
Dalton, Kenneth; 1948, A.C.A.; (Glass & Moss), Martins Bank Chambers, 2A Tyrrel Street, Bradford, Yorkshire.
Davies, Leslie Hanbury; 1936, A.C.A.; Hanbury Lodge, Friary Road, Lichfield.
Davies, Paul Joseph; 1938, A.C.A.; 40 Haterton Road, Cannock, Staffordshire.
Done, Leslie Robert; 1935, A.C.A.; 73 Cheapside, London, E.C.2.
Emerson, Gwyneth Sybil; 194 , A.C.A.; 11 Hollycroft Avenue, Hampstead, London, N.W.3.
Evers, Charles Anthony; 1948, A.C.A.; (*Gough, Wright & Co.), Victoria Chambers, 94 High Street, Stourbridge.
Finden-Crofts, Harold John; 1951, A.C.A.; 11 Oak Tree Road, Tilehurst, Reading.
Fletcher-Blackwood, Neil Sinclair; 1949, A.C.A.; (Blackwood & Co.), 1 Wilmington Avenue, Chiswick, London, W.4.
Groom, George Leslie; 1932, A.C.A.; 4 Manor Court, Cardigan Road, Leeds, 6.
Harris, Francis Adolphus; 1932, A.C.A.; (Brewer & Knott) 34 Ely Place, Holborn Circus, London, E.C.1.
Heaven, Kenneth Victor Rhodes; 1948, A.C.A.; (Dixon, Hopkinson & Co.), and (Jas. M. McIntosh & Son), Grosvenor Buildings, 15A Steelhouse Lane, Birmingham, 4, and at West Bromwich.
Hopkinson, Graham Douglas; 1950, A.C.A.; (Dixon, Hopkinson & Co.), Leicester Buildings, Bridge Street, Walsall.
Howell, Alfred Edward; 1940, A.C.A.; 1 Whitehall Road, Cradley Heath, Staffordshire.
Johnson, Andrew Gurney; 195[illegible], A.C.A.; Friars House, New Broad Street, London, E.C.2.
Kershaw, Frank; 1938, A.C.A.; (Grundy, Anderson & Co.), Priory Chambers, Union Street, Oldham.
Kyffin, Meirion; 1946, A.C.A.; Norman Jones, Kyffin & Co.), 8 Station Terrace, Lampeter, Cardiganshire.
Lockwood, George Kenneth; 19[illegible]3, A.C.A.; 6 Montgomery Avenue, and 63 Norfolk Street, Sheffield.
Marsden, George Philip; 1950, A.C.A.; (*Armitage & Norton), Somerset House, Halifax.
Maynard, Brian Alfred, M.A.; 1947, A.C.A.; (*Cooper Brothers & Co.), 14 George Street, Mansion House, London, E.C.4, and at Birmingham and Liverpool.
Prevezer, Henry; 1950, A.C.A.; (Henry Prevezer & Co.) 64 Finsbury Pavement, Moorgate, London, E.C.2.
Raine, George Nance; 1942, A.C.A.; Suffolk House, Laurence Pountney Hill, London, E.C.4.
Ravenscroft, Raymond; 1947, A.C.A.; (Littleboy, Gillett & Co.), Waterloo House, 20 Waterloo Street, Birmingham, 2.
Rhodes, John Hutchings; 1939 A.C.A.; 131 Austhorpe Lane, Whitkirk, Leeds.
Robinson, Richard Oliver; 1950, A.C.A.; (R. O. Robinson & Co.), 15 King Street, St. James's, London, S.W.1.
Rothmer, Bernard Mark, B.A.(Com).; 1949, A.C.A.; 1 Cooper Street, Manchester, 2.
Rudge, Raymond; 1949, A.C.A. 70 Barrs Road, Cradley Heath, Staffordshire.
Russell, Eric Sidney, M.A.; 1950, A.C.A.; (C. Herbert Smith & Russell), Eden Place Chambers, 71 Edmund Street, Birmingham, 3.
Sarl, Leslie Arthur Henry; 1950, A.C.A.; (*Richard H. Nerney & Co.), 141 Moorgate, London, E.C.2, and at Ilford, Southend-on-Sea, and Watford.
Sherrey, Peter Siviter; 1950, A.C.A.; (W. Elles-Hill & Co.), Prudential Buildings, St. Philip's Place, Birmingham, 3, and at London.
Spears, Sidney; 1950, A.C.A.; 3-4 Clements Inn, Strand, London, W.C.2, and 51 Lingwood Road, Clapton, London, E.5.
Spencer, Philip; 1950, A.C.A.; 47 Priory Lane, Penwortham, Preston.
Stephenson, Charles Rowland; 1934, A.C.A.; Brooklands Cottage, Batts Hill, Redhill, Surrey.
Viner, Herbert Norman; 1928, A.C.A.; 149 Barrs Road, Old Hill, Staffordshire.
Webster, Derrick Burnby, D.S.O., T.D.; 1950, A.C.A.; (Wilkinson Organ, Deakin, Webster & Co.), 8-9 Revenue Chambers, 4 Howard Street, Sheffield, 1.
West, Kenneth; 1950; A.C.A.; (Kenneth West & Co.), 40 The Dale, Woodseats, Sheffield, 8.
Wilkins, Colin James; 1950, A.C.A.; 18 The Arcade, Barnsley.
Williams, William Donald; 1949, A.C.A.; (W. J. C. Kendall & Co.), Lyttelton House, Malvern.
Wordsworth, Leslie Edgar; 1950, A.C.A.; 36 Dene Crescent, Wallsend, Northumberland.

(2) That twenty-two associates be elected to fellowship under clause 6 of the supplemental Charter (Bye-law 31).

(3) That three associates be elected to fellowship under clauses 6 and 31 of the supplemental Charter (Bye-law 31).

(4) That one applicant be admitted as an associate under clause 5 of the supplemental Charter (Bye-law 31).

(5) That seven applicants be admitted as associates under clause 9 of the supplemental Charter (Bye-law 36).

A list of those who complete their fellowship or membership before 16th January will appear in *The Accountant* on 20th January.

Registration of Articles

The Secretary reported that 68 articles of clerkship were registered during the month of December, making a total of 1,440 for the year 1950, as compared with 1,305 in the previous year.

Resignation

The Secretary reported the resignation of:

Mr. Cyril Rayner Byng, A.C.A., Birmingham.

Death of Members

The Council received with regret the Secretary's report of the death of the following members:

Mr. William Lovering Bate, F.C.A., Bristol.
,, Frank Cecil Bevan, F.C.A., Swansea.
,, Francis Henry Conning, A.C.A., London.
,, Percy Reginald Hill, A.C.A., Sydney, N.S.W.
,, Ernest Stanley Howard, F.C.A., London.
,, Alfred Wilfrid Lepine, A.C.A., Carshalton.
,, Kenneth Rees Phillips, A.C.A., London.
,, Bannerman Sangster, F.C.A., Slough.
,, Edward Gordon Starkie, M.B.E., A.C.A., Leeds.
,, Hugh Trenchard, A.C.A., Leeds.
,, Ernest Vickers, F.C.A., Liverpool.
,, Edward Hobson Walker, F.C.A., Manchester.
,, Thomas Glyn Williams, A.C.A., Fleetwood.

* placed against a Firm Name signifies that the Firm is not exclusively composed of members of the Institute.

NOTES AND NOTICES

Personal

MESSRS. STANLEY HOLMES & Co., Chartered Accountants, of 68 Pall Mall, London, S.W.1, announce that they have assumed the partnership, as from 1st January, 1951, of Mr. E. J. COMLEY, A.C.A., who has been on their staff for many years.

MR. W. RONALD COOPE, F.C.A., of Albion Chambers, King Street, Nottingham, announces that as from 1st January, 1951, he has taken into partnership his son, Mr. PETER RONALD COOPE, A.C.A., and that the firm name is now W. RONALD COOPE & SON.

MESSRS. HOWARD, HARRISON & Co., Chartered Accountants, of Permanent Chambers, Piece Hall Yard, Bradford, regret to announce that their senior partner, Mr. FRED HARRISON, F.C.A., who has been associated with the business for some sixty years, has determined upon retirement after recurring illness. The business will be carried on by Mr. WALTER HOWE, A.C.A., with whom the partnership has previously existed.

MESSRS. R. F. MILLER & Co., Chartered Accountants, of Ramsden Square, Barrow-in-Furness; Brogden Street, Ulverston, and Council Chambers, Keswick, announce that as from 1st January, 1951, they have admitted into partnership Mr. JOHN IRELAND HARLEY, A.C.A., who served his articles with the firm and has since been a member of the staff.

MESSRS. JONES, ROBATHAN, THOMPSON & Co., Chartered Accountants, announce that they have admitted into the partnership Mr. GEORGE ANTHONY WILLIAMS, A.C.A., who has been associated with them for some years. Mr. WILLIAMS will be available at the Newport office.

MESSRS. HORACE ELLET & Co., Accountants, of Rolle Chambers, Exmouth, regret to announce the retirement of Mr. R. F. E. PARKINSON, F.C.A., as from 11th November, 1950. Mr. ALFRED JOHN WHEELER, A.C.A., has been admitted a partner as from that date, and Mr. KENNETH STUART HAY, T.D., C.A., has been admitted as from 1st January, 1951. The name of the firm will remain unchanged.

MESSRS. PARKINSON, PATEMAN & Co., Chartered Accountants, of 6 Queens' Terrace, Exeter, regret to announce the retirement of Mr. R. F. E. PARKINSON, F.C.A., as from 1st January, 1951. They are taking into partnership as from this date Mr. KENNETH STUART HAY, T.D., C.A. The name of the firm will remain unchanged.

MESSRS. COLLINGE & HALSTEAD, Chartered Accountants, of Manchester, Bury, Blackpool and St. Annes-on-Sea, announce with regret that Mr. BRAMWELL COLLINGE, F.C.A., A.S.A.A., who retired from the practice on 30th November, 1950, died on 1st January, 1951. As previously announced, the practice will be carried on by the remaining partners and the name of the firm will remain unchanged.

MESSRS. ALFRED TOOKE & Co., Chartered Accountants, of Gallardo House, 10 Arthur Street, London, E.C.4, announce that Mr. BRIAN TOOKE, M.A., LL.B., A.C.A., was admitted a partner in the firm on 1st January, 1951. Mr. BRIAN TOOKE who has been in practice with Mr. ALAN C. TOOKE, F.C.A., under the style of PERCY H. GREEN & Co., has been associated with the firm for the last seven years. Also as from 1st January, PERCY H. GREEN & Co., Chartered Accountants, will be incorporated in the firm, which will continue under the style of ALFRED TOOKE & Co.

MR. T. J. THEOBALD, A.C.A., practising as THOMAS L. THEOBALD & SON, Chartered Accountants, at 19 Buckingham Street, Strand, London, W.C.2, announces that as from 1st January, 1951, he has taken into partnership Mr. R. GORDON SMITH, A.C.A. The name of the firm remains unchanged.

MR. W. G. ELCOCK, F.C.A., announces that, as from 1st January, 1951, he has disposed of his interest in the practice of Messrs. GEO. W. ELCOCK & Co., Chartered Accountants, of 1075 Warwick Road, Acocks Green, Birmingham, to Mr. W. R. J. HEATLEY, A.C.A., who will carry on the practice under the same style, and from the same address. Mr. W. G. ELCOCK will continue to practise at 68 Great Cumberland Place, London, W.1, under the style of ELCOCK & Co.

MESSRS. GLASS & MOSS, Chartered Accountants, of Martins Bank Chambers, Tyrrel Street, Bradford, Yorks, announce that they have admitted into partnership Mr. KENNETH DALTON, A.C.A., who served his articles with the firm and has been for some years a senior member of the staff. The style of the firm will remain unchanged.

MESSRS. JAMES, EDWARDS & Co. announce that, as from 1st January, 1951, they have taken into partnership Mr. THOMAS GARRARD HARDING, M.A., A.C.A., the son of their senior partner, Mr. P. E. HARDING.

MESSRS. ROBERT S. LORD, WAREHAM & Co., Chartered Accountants, of 6 Brewer Street, St. Aldate's, Oxford, announce that as from 1st January, 1951, they have taken into partnership Mr. WILLIAM WOODHEAD HOWARTH, A.C.A. The practice will continue to be carried on under the same name and at the same address.

MESSRS. PRICE WATERHOUSE & Co. (Malayan firm) and Messrs. EVATT & Co. (of Singapore and the Federation of Malaya) announce that Mr. R. C. KENDALL, A.C.A., and Mr. W. M. PIERCY, A.C.A., have been admitted into partnership as from 1st January, 1951. They also announce with regret the death in December, 1950, of Mr. G. G. DUDDELL, A.C.A., who had been with Messrs. EVATT & Co. for thirty years, the last twenty as resident partner in Ipoh.

MESSRS. WENN, TOWNSEND & CO., Chartered Accountants, announce that Mr. HORACE EDWIN WILLIAMS, A.C.A., has joined them as a partner with effect from 1st January, 195 . Mr. WILLIAMS was articled with the firm and was a senior member of the staff for a number of years. The firm name will remain unchanged and the practice will be conducted as before from 55 Cornmarket Street and 21 St. Michael's Street, Oxford.

MR. R. C. FIELDER, F.C.A., practising as R. C. FIELDER & CO., Chartered Accountants, has now taken permanent offices at New Broad Street House, 35 New Broad Street, E.C.2. Telephone: London Wall 5026.

MESSRS. J. & A. W. SULLY & CO., Chartered Accountants, in association with J. & A. W. SULLY & CO., Accountants and Auditors, of Parliament Mansions, Abbey Orchard Street, Victoria Street, London, S.W.1, announce that, as from 1st January, 1951, they have taken into partnership, in respect of their South Molton and Barnstaple practice, Mr. JOHN BOWERING CHILCOTT, A.C.A., who has been their resident manager there for the past few years, and was formerly on the staff of their Bridgwater office. The name of the firm will remain unchanged.

MESSRS. WELLS & PARTNERS, Chartered Accountants, of Eagle House, 190 Jermyn Street, London, S.W.1, and at Twickenham and Hounslow, announce that they have admitted to partnership Mr. PETER S. TANSWELL, A.C.A., as from 1st January, 1951. The name of the firm remains unchanged.

The partners of Messrs. TURQUAND, YOUNGS & CO. announce the admission to partnership on 1st January, 1951, of Mr. K. P. CHAPMAN, A.C.A., and Mr. S. G. SILLEM, A.C.A. They also announce that Mr. F. CARLOSS GRIFFITHS, F.C.A., retired from the firm as at 31st December, 1950.

MR. F. CARLOSS GRIFFITHS, F.C.A., announces his withdrawal from the firm of TURQUAND, YOUNGS, MCAULIFFE & CO., with effect from 1st January, 1951.

MESSRS. J. NOEL PAUL & CO., Chartered Accountants, of 35 Galgate, Barnard Castle, Co. Durham, announce that they have taken into partnership Mr. WILLIAM EDWARD SANDERSON, A.C.A., of their Kirkby Stephen office, who qualified recently after serving his articles with the firm. There will be no change in the name of the firm.

Professional Note

Mr. F. E. Hay, D.F.C., A.C.A., C.A.(S.A.), of The Corner House, P.O. Box 149, Johannesburg, has been appointed, as from 1st January, 1951, local secretary of The Central Mining & Investment Corporation Ltd. in Johannesburg.

National Council for Domestic Food Production

The Minister of Agriculture and Fisheries has appointed Mr. A. S. H. Dicker, M.B.E., F.C.A., a member of the Executive Committee, Land Settlement Association, to be a member of a national council for domestic food production. Mr. Dicker, a partner in the firm of Lovewell, Blake & Co., chartered accountants, Norwich, is a member of the Council of The Institute of Chartered Accountants.

Clothing Development Council

The Board of Trade announces that Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., is again appointed as an independent member of the Clothing Development Council.

Irish Prices Advisory Body Appointed

The names of members of the Prices Advisory Body set up under the Irish Supplies and Services Act were announced in Dublin recently, and include that of Mr. Gerard William O'Brien, M.A., B.Com., F.C.A.

A partner in the firm of Craig, Gardner & Co., chartered accountants, of Dublin and Belfast, Mr. O'Brien is also a lecturer in accountancy at University College, Dublin.

Double Taxation: France

The double taxation agreement with France, which was signed on 14th December, was published on 4th January as a schedule to a Draft Order in Council.[1]

The signing of the convention, which is to take effect for the fiscal year 1950-51, was referred to in our issue of 23rd December last.

[1] The Double Taxation Relief (Taxes on Income) (France) Order, 1951. H.M.S.O. 4d. net.

London and District Society of Chartered Accountants

On Tuesday next, 16th January, Mr. Roland Bird, Deputy Editor of the *Economist*, will address members of the London and District Society of Chartered Accountants on 'The use of published accounts', from the viewpoint of an economist.

The meeting will be held in the Oak Hall of the Institute of Chartered Accountants at 6 p.m.

Manchester Society of Chartered Accountants

The annual dinner of the society is to be held on 19th January. Other meetings so far arranged for 1951 are, a talk, on 25th January, by Mr. Ian T.

Morrow, C.A., F.C.W.A., and other members of the management accounting team which recently visited the U.S.A., and a lecture entitled 'The Local Government Act, 1948, and the chartered accountant', by Mr. B. B. Bolton, F.R.I.C.S., on 12th February. Mr. H. Douglas Bessemer, B.A., F.C.A., will speak on 'The Estate Duty Provisions of the Finance Act, 1940', on 12th March, and on 4th April, Mr. N. G. Lancaster, M.B.E., A.C.A., will give an address on 'Standard cost and budgetary control'.

The Institute of Actuaries

A paper entitled 'Approximate integration', by Mr. William Phillips, F.I.A., will be submitted at an ordinary general meeting of the Institute of Actuaries to be held in the Hall of the Institution of Civil Engineers, Great George Street, Westminster, S.W.1, on Monday, 22nd January, at 5 p.m. Members may bring guests.

Residential Tuition Course at Durham

A week-end residential tuition course, commencing on Friday, 30th March, has been arranged by the Northern Chartered Accountant Students' Society, in conjunction with the senior Society. The course, which is to be held at Hatfield College, Durham, is being organised for the benefit of both Intermediate and Final candidates.

A series of nine lectures will be given to each group, and among the speakers are Mr. Ian T. Morrow, C.A., F.C.W.A., leader of the Management Accounting Team which recently visited the U.S.A., whose subject will be 'Accounting for industry'; Mr. Alan Whittaker, A.C.A., a member of the Taxation and Research Committee of the Institute, who will lecture on accounts; Mr. Percy F. Hughes, A.S.A.A., F.C.I.S., Assistant Editor of *Taxation*, who will lecture on taxation; Mr. A. M. Milne, Lecturer in Economics at King's College, Durham, who will speak on economics; Mr. E. C. Ryder, Barrister-at-Law, Lecturer in Law at King's College, Durham, whose subject will be law.

The course will assemble for dinner at 7 on the Friday evening, when Mr. H. Garton Ash, O.B.E., M.C., F.C.A., President of the Institute, will make the opening address.

The cost is expected not to exceed £3, inclusive of meals and separate accommodation for each student. The number of enrolments is necessarily limited and early application by interested members should be made to Mr. C. S. Starkey, Hon. Secretary, Northern Chartered Accountant Students' Society, 97 Brighton Grove, Newcastle upon Tyne, 4.

Our Weekly Problem

No. 28. A Sort of Snap

Charles had promised to make up a four at bridge as his parents were very fond of a game and Miss Reserve was coming in from next door.

While waiting for Miss Reserve, Charles gave one of the packs of cards to his father while he took the other. 'Let us play a sort of snap', said Charles. 'We will go through the packs together and see if we get an identical card at the same time.'

'The odds must be thousands to one against', said Mr. Sidate, but proceeded to go through his pack simultaneously with Charles. Before they had got very far the four of clubs turned up in each pack.

'Indeed amazing', commented Mr. Sidate. They began again and this time the queen of diamonds turned up.

'I wonder what the odds really are', said Charles. 'I tell you what: I will write to that problem merchant in *The Accountant* and ask him.'

What are the odds?

The answer will be published next week.

Answer to No. 27. The Fortunate Shareholder

The net dividend where x is the rate of tax up to which the dividend is 'free of tax' and the unit is £1 is:

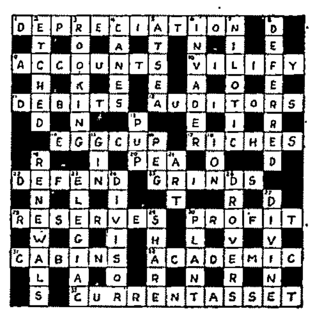
Old method: $\frac{11}{20}\left(\frac{20}{20-x}\right)$

New method: $1-\frac{(9-x)}{20}=\frac{11+x}{20}$

It therefore remains to find the value for x which gives the maximum for the expression $\frac{11+x}{20}-\frac{11}{20-x}$

This will be found to be 5s. 2d. The nearest standard rate is 5s. in the £.

An Accountant's Crossword—II



Solution to 'An Accountant's Crossword—II' by J. Rose, A.C.A., which appeared in last week's issue.

The Accountant

ESTABLISHED 1874

20TH JANUARY 1951 VOL. CXXIV NO. 3970

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Reproduction in colours of portrait of Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A., President of the Institute of Chartered Accountants in England and Wales, 1945 to 1946.

CENSUS OF DISTRIBUTION

DURING the opening three days of this year, forms for the first census of distribution and other services in this country were delivered by post to nearly 950,000 trading concerns. The recipients included about 654,000 retailers, 101,000 wholesalers, 33,000 motor traders, 85,000 caterers, 1,600 pawnbrokers and about 70,000 other 'service' traders, among them repairers for the general public, portrait photographers and funeral undertakers. The idea is not entirely new. A similar census has been taken in the United States at intervals since 1929 and in Canada since 1931. Other countries to have done so, at least once, are Eire, Belgium, South Africa and Australia.

In the United Kingdom, the origin of this latest statistical quest dates back to June, 1945, when MR. OLIVER LYTTELTON, MP.., then President of the Board of Trade, appointed a committee under the chairmanship of SIR RICHARD V. N. HOPKINS (late Secretary to the Treasury) to investigate and report on the possibility of taking a census of distribution. The committee's terms of reference were:

> '... to consider whether, having regard to the importance of information being made available regarding the wholesale and retail distribution of goods, a regular census of distribution should be instituted and, if so, to advise on the field to be covered and generally as to the measures which should be taken in connection therewith'.

It was made clear that the term 'census of distribution' was intended to cover not only the distribution of goods, but also the rendering of services, such as catering, hairdressing and laundering.

The committee heard a fully representative selection of evidence and in its report, published early in 1946, recommended unanimously that a census should be taken every five years. As a result, the Statistics of Trade Act of 1947 was passed, making compulsory the completion and return of forms. A 'pilot' census was taken in 1948 to provide information on the simplest and most economical way of carrying out the full census. The full census was originally planned to cover operations for 1949 but was postponed to cover instead, as the forms just issued indicate, the year 1950.

The census will cover all concerns engaged in the wholesale and retail distribution of goods and a selection of other services, namely non-residential catering; repairing for the general public; hairdressing, manicure and beauty culture; portrait photography and funeral direction and undertaking; warehousing for the trade, including bonded warehousing and cold storage; and pawnbroking. All types of trading under these categories, including mail-order sales, trading from stalls or private houses and house-to-house selling are covered equally with shops, offices, &c. For census purposes the term 'wholesale' is used in its widest sense

and covers every aspect of distribution other than to the general public. There are thus included traders who buy goods on their own account for resale to other wholesalers, to manufacturers for processing, to industrial, commercial, trade and institutional users and to retailers; importers and exporters; all purchasing and selling agents operating on behalf of clients in the United Kingdom or abroad, whether the transactions are on behalf of manufacturers or traders, either individually or in groups, or on behalf of His Majesty's or other governments; and also, in certain instances, wholesale auctioneers.

There is a number of important exceptions to be noted. Particular attention is drawn to the fact that occupiers of land used for agriculture (farmers, presumably) will not be required to make returns, unless they sell to the public 'over the counter' or conduct a mail-order business. Manufacturers also are excluded unless they have a separate selling organisation, or sell by retail, or sell wholesale goods not made by them. Certain 'service' trades, such as public-houses, hotels, house and estate agents and public utility undertakings have been omitted so as not to overload the Census Office organisation, but some or all of these may be the subject of special censuses between the regular ones. No census will be taken in 1952.

The returns should relate to the calendar year 1950 or, if more convenient, to the trading year ending between 5th April, 1950, and 6th April, 1951. They should be submitted by 31st March, 1951, except in cases where the business year ends on a date between 31st December, 1950, and 6th April, 1951, when three additional months' grace will be allowed if the Census Office has previously been notified. Great care is being taken to keep secret the contents of individual returns which will be used for no purposes other than those of taking the census and preparing reports on it.

The questions, which were compiled with the aid of an advisory committee of traders, have been made as straightforward as possible. The form for retail trades, for example, contains sixteen main heads and no retailer who has kept proper books of account for the period should have much difficulty in supplying the information asked under any of these except, possibly, the section which calls for an analysis of sales. Among other particulars to be submitted are the net cost of goods and materials purchased during the year for resale to customers, the totals (at the lower of cost or market value) of stocks on hand for sale at the beginning and end of the year, details of the number of persons working in the business in the week ended 24th June, 1950, the total amount of wages and salaries payable for that week and also the annual wage and salary bill.

The form for wholesale traders has thirteen main heads and follows much the same pattern as that for retailers. There are also forms on similar lines for caterers, motor traders, pawnbrokers, repairers and other service traders. All questions have been drafted with the express intention of causing the minimum of inconvenience consistent with the necessity for obtaining a number of basic facts. It may be, however, that in some instances certain classifications of figures asked for may not be immediately apparent from the financial books and accounts. For the guidance of accountants and others who may be called upon to help clients in this connection, the Board of Trade wish to emphasise that estimates will be readily accepted if precise amounts are not available without much research, and that there is no necessity to defer the completion of the form until such time as the accounts have been audited and approved. It is of special importance that returns should be submitted as soon as possible so as to facilitate the early publication of the report.

The Board of Trade consider that the census report, when published, will be of considerable value not only to the Government and to public and other bodies interested in research, but also to all classes of traders who are covered by the scope of the inquiry. The report will give tables showing the number of shops of different kinds in all but the smallest towns, the aggregate of their turnover and the number of persons employed. Traders will thus be enabled to compare their individual results with the aggregate results of shops of their kind, both locally and in other areas, and decisions as to expansion will be aided by a range of statistics not hitherto available. This information will also be of use to manufacturers desirous of setting up new factories in the areas where their products are most needed and to wholesalers and others planning sales campaigns.

THE PURPOSE OF THE BALANCE SHEET

by E. H. DAVISON, A.C.A.

The Present State

THERE is a tendency to compare the merits of the profit and loss account and the balance sheet to the advantage of the profit and loss account. This may be due in part to the shortcomings of the balance sheet which seems to have little meaning as a whole, though some of the constituent figures may have a meaning in themselves or by comparison with figures of previous years.

In the first place, no one seems to be quite clear about the purpose of the balance sheet, which is ostensibly intended to disclose a 'state of affairs'. It is sometimes said that while it is difficult to define a 'state of affairs' everybody knows what it means. This is unfortunately not true. We are, it seems, not concerned only with a financial 'state of affairs'; it is a view of the state of affairs of the business as a whole which the balance sheet is supposed to represent. This assertion is so palpably untenable that it hardly needs further discussion; the affairs of a company are at least as much concerned with non-financial matters (such as technical and commercial questions and labour relations) as they are concerned with financial matters, and the 'state' of these things is nowhere represented in the balance sheet.

Intermingling of Unlike Figures

Secondly, the intermingling of unlike figures in the balance sheet creates confusion not only in the minds of the layman but also not a little in the minds of the accounting profession. Some of the figures in the balance sheet represent money spent on real things such as buildings, plant, and stocks. On the other hand, an entirely different class of balances represents nothing *real* at all; such items as 'share capital' and 'reserves' represent merely ideas in that they show only the source from which the real things have been provided.

Writing-off and Goodwill

Yet a third curious feature is the extraordinary habit of 'writing off'. This is, for some reason or other, regarded as a good thing; in fact, it reflects an inability to recognise that accounting statements should be complete. The most illogical and yet characteristic aspect of this is in the treatment of goodwill, where it is considered a good thing when profits are high (and goodwill presumably at its most valuable) to write off goodwill, whereas when profits are low (and goodwill is consequently at a low value) it is deemed quite right and proper to retain it as an asset in the balance sheet.

Going Concern Value

A fourth eccentricity of the balance sheet (perhaps a reflection of the uncertainty regarding the meaning of a 'state of affairs') is that the balance sheet is for many purposes—but not for all—taken as some kind of a valuation. It is sometimes said that the balance sheet represents the value of a business as a 'going concern' though it is far from clear just what a 'going concern value' really is and still less clear when it is used by those who calculate their profit without reference to the continuing nature of the business. In such cases it must be assumed that the word 'going' is used only as describing the stage before 'gone'.

The approach to the balance sheet as a statement of valuation must clearly be made, if made at all, very carefully.

The Objective

It is the purpose of the foregoing paragraphs to show some of the ways in which the balance sheet is failing as a whole to serve a useful purpose, since its whole construction is based upon illogical reasoning. There is, however, still hope that by the adoption of a straightforward approach to the problem, the balance sheet can be revised and turned into a useful member of the community of statistical statements.

It has elsewhere been stated and with justice that the accountant is too much preoccupied with his technique and far too little occupied with the meaning of the statements which are produced thereby. Before the relationship between the balance sheet and the profit and loss account, in the production of which the technique is at present closely interwoven, can be properly appreciated, some consideration must be given to the question whether it is appropriate to apply the same technique to both. The purpose of the profit and loss account is, simply, to calculate the profit for the period; in public accounting the law requires that certain stages in this calculation shall be disclosed but other

and indeed major stages may remain secret. The published profit and loss account is therefore issued to provide the answer to a comparatively simple question, that is 'what is the profit?' The purpose of the balance sheet is much less easy to define and if it is suggested that it is to answer the question 'what is the state of affairs of the company?' we have first to solve the meaning of a 'state of affairs'.

Two Questions to Answer

Published accounts are accounts of stewardship in which persons who have been entrusted with money have to account for it. The questions to which stewards should always be prepared to provide an answer are two, both very simple. They are:

1. Where have you put all our money?
2. What are you earning with it?

These are two quite different questions and the answers may demand different techniques.

The profit and loss account, faulty though in many ways it may still be, provides an answer to the second question. It is suggested that the balance sheet properly drawn up should provide an answer to the first.

The recognition of the balance sheet as first and foremost an account of stewardship would very greatly simplify the approach to most balance sheet problems. The preparation of the balance sheet with all sorts of secondary objects, such as 'valuation as a going concern', merely creates confusion and limits, instead of increasing, the value of the document.

To produce the balance sheet as a valuation and at the same time an account of stewardship seems, in many respects, to be an emulation of A. A. Milne's hero who won the Derby and the Waterloo Cup with the same animal. It will be recalled that this creature narrowly escaped disqualification in both events.

Some Suggestions

It has been suggested here that the balance sheet should provide the answer to the question, 'What have you done with all our money?' If it is accepted that after all the question is a reasonable one and the answer to it should be useful, several points emerge which may be described as general rules.

The 'valuation' view of the balance sheet can be abandoned. The balance sheet becomes, as an account of stewardship, merely a record of moneys received and spent in the currency in which they were received and spent. Procedures such as the 'revaluation' of fixed assets become irrelevant and misleading, as indeed they always are, and to regard upward revaluations as providing a source of 'profit' becomes nonsense, as indeed it always was.

The balance sheet should be complete in its statement of all investment, of which the stewards, that is to say the board of the company, have control. The habit of 'writing off' is tantamount to a suppression of information; savings out of profits should be revealed as such.

It is necessary to draw a sharp line between where money has been put and where it has come from. Clearly the statement of the investment of money is reflected in the net assets.

MAIN CONCLUSIONS

Fixed Assets

All fixed assets existing at the date of the balance sheet should be shown at their original cost. Provisions for depreciation fall into the class of 'hypothetical' figures which represent a source of investment rather than an investment itself, and they are therefore dealt with later in this paper. They should not be deducted from the fixed asset figures.

Goodwill, Patents, &c.

Amounts spent on intangible assets should be shown in the balance sheet at original cost and they should not be written off unless they are sold or have ceased to exist.

Investments

Investments should be stated at cost but this requires some qualification. Investment is of two kinds, direct and indirect. In the case of a subsidiary company the difference between direct and indirect investment is a matter only of book-keeping. Profits retained by a subsidiary are for all practical purposes direct investment by the parent company, and if the statement of the parent company's investment is to be complete, indirect investment must be included. The case with 'associated' companies is different as there is, in this case, no element of control.

Here again it is a common habit to 'write down' investments. There is no justification whatever for this practice except in the case of losses made by subsidiary companies which are, in fact, not distinguishable from losses made by the parent company.

Current Assets

Stocks. Stocks, stores, and work in progress should be stated as nearly as possible at the amount of money spent in providing such assets, that is to say, on a simple historical cost basis. Provisions for losses on sale should appear amongst provisions (see later). This statement still leaves most of the problems of 'stock valuation' unsolved, bu those problems are likely always to be with us.

Debts. If we are to be consistent, it is clear that debts should be dealt with on a cost, rather than on a selling price, basis. It might be simpler, however, in practice to regard debts as cash assets and to regard the stewards as accountable for the profit element in the debts from the moment when the sale is complete. There is possibly some inconsistency here, but we wish at all costs not to make things too difficult.

Liabilities

The definition of a liability for accounting purposes is not without difficulty. We might, however, for present purposes, define a liability as a requirement which has to be met out of the assets shown in the balance sheet. This very broad general definition of a liability for balance sheet purposes leaves the field still quite open for the disputants over future income-tax, and we may therefore, notwithstanding these suggestions, expect further pleasure from their debates.

Provisions which are of the nature of liabilities should be deducted from the assets in the same way as liabilities and described as such.

Sources of Investment

Share capital. In disclosing the sources from which the net assets have been provided it is not a little important that the balance sheet should disclose the full story about share capital. A company which is built up out of profits is regarded in some quarters with aversion and the capitalisation of profits in some undefined way as immoral. It is perhaps too thorough-going an application of dividend limitation, which, of course, it is. However that may be, the balance sheet should state how much of the capital has been subscribed directly (in cash or for other consideration) by the shareholders and how much indirectly by the capitalisation of amounts retained out of profits.

Reserves. Since most reserves represent amounts which are fully invested in the business there seems to be little point in describing them in any other way than as retained profits, and if this is so, capital and revenue reserves could be dealt with on an equal footing without distinction. The only exception to this general rule could be in the case of profits retained for the purpose of the equalisation of dividends (such as 'taxation equalisation reserves').

The only major distinction in classes of reserves is between those which are to be permanently retained and those which represent deferment of payments to shareholders. Minor distinctions shown as reserves for this and reserves for that are unimportant.

Provisions. Provisions will fall normally under three main classes which should, it is suggested, be described as 'retentions of income for the maintenance of the business':

(*a*) Retentions for the maintenance of fixed assets including retentions for depreciation and for increased 'replacement costs'.

(*b*) Retentions for stocks including expected losses on sale and retentions for stock replacement costs.

(*c*) Other retentions including retentions to cover the maintenance of purchasing power of cash assets, however calculated.

The Result

A balance sheet presented in this way would give an answer to the question, 'What have our stewards done with our money?' It would reveal clearly the investment of the moneys entrusted to the stewards and the sources from which the money has been provided. It would be complete in that all assets still in existence would be represented by figures in the balance sheet and it would eliminate the very confusing suggestion that the balance sheet is a sort of valuation.

It is suggested that it would be a valuable addition to the accounts, purely to provide a proper assessment of the scale of the profits, if there were added thereto a statement showing the relative amounts of the assets and liabilities in terms of current purchasing power so that the investment in the business and the profits thereon should be truly comparable. This information, while forming part of the accounts, would be given in explanation of the profits and in no way in contradiction to the stewardship aspect of the balance sheet.

Finally, it might be well to abandon the description 'balance sheet' which is wholly irrelevant to the purposes for which the document is produced and to describe it as a 'statement of the source and investment of funds'.

FINANCIAL PLANNING AND CONTROL—II

THE NEED FOR RELIABLE AND DETAILED REPORTS

by D. J. SIMPSON, A.C.A.(Aust.)

Trading and Profit or Loss Budget

THE following figures for the coming year have now been determined: (1) Total sales volume. (2) Production cost of sales volume. (3) Selling and distribution expenses. From them the financial manager can prepare a trading and profit and loss budget and will include the remaining administration, financial and overhead expenses. The expected gross profit and its percentage to sales, should be compared with the corresponding figures for previous years. An undue variation from the latter should be investigated. This tends to check the reliability of the sales and production forecasts, for should they be found to be too optimistic or too cautious, a complete review of the budget will be necessary. The co-ordination of the sales and production budgets, and the careful determination of the overhead expenses that will result from the proposed activity are largely a matter of experience. To avoid omitting any items it is advisable to prepare this budget in report form similar to the 'historical' trading and profit and loss account, which will be more familiar to the directors and needs no further explanation in the master budget. Non-trading items of income or expense should be separated from the trading figures. A simplified form of presentation would be as that shown on page 55.

This budget represents the co-ordinated integration of the whole of the company's projected trading activity. Both 'sales' and 'cost of sales' are supported in detail by their respective budgets, and after bringing into account the commercial overhead expenses, the anticipated trading profit or loss is determined.

Monthly control budgets are prepared for all components, according to the division of responsibilities; that is production, sales, selling and distribution expenses, and commercial overhead expenses other than selling and distribution. The former overhead expenditure is the proper responsibility of the sales department.

Where the amount involved is not material, or the expenses are few in number, they may, for convenience, be shown together with, but distinct from, the administration and financial expenses. The latter are the responsibility of the finance manager. In estimating, reference is made to the company's past experience, and due regard should be made to 'outside' factors, such as the money market and economic conditions generally.

The information, which may be given in the budgets for selling and distribution expenses and for other overhead expenses, is as under:

(1) For the month under review:
- (*a*) budgeted expense;
- (*b*) actual expense incurred;
- (*c*) variation 'over' or 'under' of (*a*) less (*b*).

(2) For the period of the year to date—the same as for the month under review as in (1) above.

(3) Ratios to sales:
- (*a*) For the month under review:
  - (i) budgeted expense to budgeted sales.
  - (ii) actual expense to actual sales.
- (*b*) For the period of the year to date—the same as for the month under review in (*a*) above.

In each of the budgets, the ratios of budgeted expenses to budgeted sales should be similar to the ratio of actual expenses to actual sales, even though actual sales may differ from those budgeted. Normally, variable expenses tend to increase or decrease according to 'sales', and these ratios, when considered in conjunction with the amounts of sales and variable expenses, indicate the result of the sales policy and administration efficiency respectively. The finance manager should have an intimate knowledge of the nature, trend and cause of variations in the expenses of his own department and will impress upon his staff the need for economy and efficiency.

Having issued their instructions in the form of a master plan, to the executive officers, the directors must control its execution. If the forecasts were carefully made, with substantial accuracy, each transaction against which provision had not, or could not be made, is reflected in a variance, the cause of which, or the responsibility therefor, can be fixed.

The director's attention is drawn to these deviations in a monthly trading and profit and loss summary, presented in a form similar to the yearly budget. The actual net profit or loss for the month is determined by commencing with

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The first part of this article appeared in our last issue.

TRADING AND PROFIT OR LOSS BUDGET

Year ending 30th June, 19

	This year		Last year					
	Budget	Percentage to sales	Actual		Budget		Percentage variation	
				Percentage to sales		Percentage to sales	Over	Under
Sales								
Less Cost to produce ..								
Gross Profit								
Add Other trading income								
Less:								
Selling and distribution expenses								
Administration expenses								
Financial expenses ..								
Miscellaneous expenses								
Total Expenses								
Net trading profit								
Add Non-trading income								
Less Non-trading expenses								
Net profit								

budgeted sales and deducting budgeted production and overhead expense in that order; each figure being adjusted by the relevant variances shown in the supporting monthly statements. Similar figures for the period to date will indicate the trend of operations and investigation should be made into all variations of a material amount and those the reason for which is not apparent.

It should be noted that financial planning and control does not remove the need for a suitable procedure in regard to matters other than those directly relating to finance; for example, orders received or on hand, detailed production schedules, buying programmes, or control over inventories, &c.

Capital Expenditure Budget

Economy in the use of capital and effective control over capital expenditure are most likely to be obtained by long-term planning. Full particulars for budgetary purposes of any material capital requirements should be placed before the directors, but their acceptance of an estimate for that purpose should not mean the authorisation of expenditure to that amount, each proposal being considered in due course on its merits.

The financial manager is advised of all proposed capital expenditure, and the total amount incorporated in the master budget. In an accompanying report he would indicate how the necessary finance could be provided. Any strain upon the company's resources should be pointed out. It will be remembered that it is an important part of his duties to report in advance upon the effect of any scheme or proposition in so far as it affects finance. As the year progresses the proposed expenditure will be examined by the

directors and, accordingly, the budget will be revised, say, half-yearly.

In order to arrange for the provision of the finance required and to prepare a cash budget, the finance manager would need to know the expected monthly expenditure.

Cash Budget

Almost all concerns are vitally interested in the liquid position. A wise finance manager will attempt to provide immediate resources for all reasonable contingencies, but at the same time obtain the utmost use from the funds at his disposal. However, an excessive surplus means idle funds which do not contribute towards the cost of running the company. Embarrassment, due to even a temporary insufficiency of cash, should also be avoided. The possibility of these occurrences is minimised by forecasting the cash receipts and payments, and action can be taken to alleviate an adverse position before it arises. Allowance must be made for the delay in the collection and payment of accounts. The average period of credit given and taken often varies with a particular trade, but can be determined by dividing the annual sales and purchases by the average trade debtors and trade creditors respectively. Thus if the average trade debtors were one-eighth of the annual sales, the average period of credit given is one-eighth of a year, or about one and a half months. By applying this rate to monthly sales, cash payments from debtors can be closely approximated. Similarly, cash payments to suppliers can be estimated. Many firms pay their creditors at a corresponding time each month and, if adhered to, this procedure simplifies matters considerably.

The probable balance at the end of each month is calculated by adding to the balance at the beginning, the estimated receipts, and deducting the estimated payments.

Little difficulty will be experienced in ascertaining the time for payment of most expenses. Every item in the expense budgets must be examined, care being taken to include the actual payment, which may relate to a period other than that covered by the budget. Receipts and outgoings of capital must also be considered, as must other items such as interest or dividends received or paid. Unfortunately, provision cannot accurately be made in advance for some items, as the time and amount of payment may not be known; for example, damages and costs in respect of legal action, or income-tax. Nevertheless, it is advisable to include some reasonable estimate until the budget as a whole is reviewed, say, quarterly.

The advantages and value to management of a reliable cash budget are soon seen. Business policy is often dependent upon the state of the finances, but where this is predetermined the policy can be judicially planned, knowing that the proposed activity is economical and when considered in conjunction with the remainder of the master budget, is beneficial to the company.

Balance Sheet Budget

The preparation of this budget in a similar form to the historical balance sheet completes the master budget. All of the necessary information is contained in the various budgets already described.

Sound judgment is needed to weld the subsidiary budgets into a composite master plan.

By studying the ratios and trends that may be obtained from an examination of the balance sheet budget, and the supporting budgets, and by comparison with previous years, it is possible to visualise the coming year's activity, and its effect upon the company's finances. Just as a shark alarm gives timely warning to surfers, so does an adverse trend or ratio indicate dangerous waters to an industry. It is the duty of the financial manager to chart the coming financial dangers, to notify the directors, and to control the execution of their instructions.

The following ratios should be calculated and their trend ascertained by comparison with past years. This tends to check the accuracy of the budgets, and the financial soundness of the activity envisaged.

TRADING BUDGETS (SALES, PRODUCTION, TRADING AND PROFIT OR LOSS)

1. *Sales to fixed assets:* revenue-earning capacity of assets.

2. *Sales to shareholders' funds:* revenue-earning capacity of the interest of shareholders.

3. *Cost of goods sold to average stock held:* rate of stock turnover.

4. *Gross profit to sales.*

5. *Expenses to sales.*

6. *Net profit to sales.*

BALANCE SHEET BUDGETS (INCLUDING CASH AND CAPITAL EXPENDITURE)

7. *Net profit to shareholders' funds:* return upon the interest of shareholders.

8. *Current assets to current liabilities:* working capital.

9. *Cash and trade debtors to current liabilities:* liquid ratio.

10. *Trade debtors to sales:* average period of credit.

11. *Shareholders' funds to fixed assets:* proportion invested in fixed assets.

12. *Shareholders' funds to external liabilities:* extent of shareholders' interest.

Each aspect of the company's future has been carefully surveyed, and is reflected in the master budget. This is the key to the door of the future, and it should be designed to unlock the means of control necessary to ensure its transformation into reality. It is unlikely that all events will work out according to plan, but a flexible budgetary system can be altered to meet the ever-changing circumstances. Periodical review is advisable, and where a revision is necessary each department must adjust their efforts to the altered programme. No budget can be more reliable than the information upon which it is based, and it is repeated that successful budgeting is largely dependent upon the accuracy of the sales forecasts. Each department or branch must know their duties and responsibilities, and appreciate the need for co-operation in the attainment of the company's object.

Proposed Companies

The existence of a sound financial structure is essential if a concern is to trade with the community and to successfully overcome competition. A financial planner can render invaluable assistance to a proposed business, both in regard to the future trading activity and to the provision and investment of capital. The former has already been considered in relation to an existing business, and in the case of a new venture a similar procedure is followed. As there are no past records to which reference could otherwise be made, a more rigorous and careful examination of the financial aspects of the trading budgets is advisable.

Particular attention will be given to the cash and capital expenditure budgets. Long-term planning and controlled development are considered indispensable if a loss of capital, or over- or under-capitalisation, are to be avoided. The need for financial forecasting in new companies has long been realised, and modern management expect more than a mere indication of the future prospects. Financial planning shows in monetary values, based upon the estimates of technical advisers, the expected volume of trade, and the resources and assets that will be required. It should be on such a scale as to avoid the inclusion of an arbitrary 'allowance for contingencies'. In the past this has often been a matter of business prudence, but management has seldom had alternative means at its disposal.

For illustrative purposes, a proposed company, which will manufacture and distribute its own product, is assumed. The important factors to be determined in regard to the capital transactions are: (1) fixed assets required; (2) working capital; (3) source of funds.

As with periodical trading budgets, the figures for the estimated prices and volume of sales are of prime importance. A skilled and comprehensive investigation will be carried out in order to assess the potential market, and that proportion which the proposed company may reasonably expect to obtain. If the market may not be permanent, its length should be estimated.

These calculations are the work of the sales manager, possibly with the assistance of firms specialising in marketing and market research. The need for care and accuracy in the preparation of the sales budget cannot be over-emphasised. Production facilities will be provided for the estimated volume and a miscalculation can have disastrous consequences. Should the sales volume fall short of the estimates, idle capacity will result. It may then be found that financial commitments which were to have been financed by sales, cannot be met. On the other hand, if the factory capacity is inadequate, the provision of additional facilities may be less efficient and more costly than they would have been had they been acquired in the first place.

Fixed Assets

Fixed assets are those held with the object of earning revenue, and not for re-sale in the ordinary course of business. Their purpose is to produce the anticipated sales volume, and, for financial planning, like items such as goodwill, patents, trade-marks, &c., may be linked thereto.

Obviously, technical details are the responsibility of the production manager, who must fully appreciate the need for economy. This does not suggest that in every case the cheapest factory, machine or fitting must be obtained. But it does suggest that the asset to be acquired is the cheapest that will give satisfactorily the use or result nearest to that desired. Due regard will be given to the cost of use and maintenance.

Factors other than the cost of the assets must be taken into account. For example, the location of the factory will be determined with a view to the facilities for expansion, proximity of transport, the situation of the market, labour supplies and their skill, power supplies and so on. All of these can affect the ultimate cost to make and

sell the company's product. The layout of the factory and plant will be decided by the production department, who will investigate alternative means by which the cost of production can be reduced.

It should be remembered that the object of financial planning is to avoid, by pre-consideration of all relevant circumstances, the incurrence of unnecessary expense either of a capital or revenue nature.

Before reaching a final decision the directors will require full details of all proposed assets, and their estimated cost, which will be considered in conjunction with the master budget.

Working Capital

The nature of an undertaking's business affects the amount of working capital required. Provision must be made for the maximum demands that will be made during the company's activities, or until such time as when they can be met from the company's normal trading. The major items of current assets are book debts, a working cash balance, and an investment in stocks, the latter being comprised of stores, raw materials, work in progress and finished goods. Book debts will fluctuate according to the sales volume, and the period of credit allowed. The cash balance should be sufficient to meet short-term liabilities, including formation expenses.

The current and liquid ratios should be carefully watched for any signs of weakness. An indication of over-trading is a rise in the proportion of current liabilities to current assets. Where it is deemed imprudent to curtail trading to that planned, the budgets should be reviewed in the light of the new circumstances and it may be necessary to raise further capital. Temporary working capital can be provided by bank overdraft, but it is preferable to restrict this source of funds to purposes that are self-liquidating. For instance, in most seasonal trades, only sufficient working capital for the inactive period is provided out of capital, and the seasonal demand met by bank overdraft. Obviously, to provide the whole out of capital would mean the retention of idle funds for a large part of the year. A shortage of working capital is not conducive to successful trading. It can be increased by (*a*) accumulation of undistributed profits; (*b*) provision for depreciation; (*c*) sales of capital assets; (*d*) additional capital or long-term liabilities. But it will be decreased by (*a*) investment in fixed assets; (*b*) trading losses; (*c*) repayment of capital or long-term liabilities; (*d*) payment of dividends. Part is derived from current liabilities such as trade credit and short-term loans. Preparation of the trading budgets and the cash budget for a period as far ahead as possible on, say, a monthly basis, will indicate the peak working capital requirements, which, with the proposed capital expenditure, must be balanced as to both time and amount, with the sources from which they are to be obtained.

Source of Funds

The source of the total capital requirements, and the means by which they are raised, can materially influence a company's financial future. Resort is usually made to one or more of the following: (*a*) various classes of share capital; (*b*) debentures and long-term loans; (*c*) bank loans; (*d*) trade credits.

Frequently the amount obtainable from each of these is dependent upon the condition of the money market. Where possible it is advisable to have the whole of the fixed assets and working capital covered by share capital. There is then little financial reliance placed upon outside sources, but the return upon each share is consequently restricted. The obtaining of long-term credit may be advantageous as it permits a lesser amount of share capital, and if the rate of interest payable is less than the expected rate of dividend, then the earning power of each share is thereby increased, and so allows a greater rate of dividend. However, interest is payable regardless of whether a profit is earned and the question of repayment arises. The expected profit should then be sufficient to cover that interest, at least an equivalent rate of dividend on the share capital and possibly to provide a reserve for repayment. Loans or debentures are usually secured by a charge over part of the assets or by a floating charge over the whole of the undertaking, and unless a sound financial position exists, suppliers may be discouraged from freely extending credit.

The use of bank overdrafts to acquire fixed assets can cause a very difficult financial position if repayment is requested. They have the advantage that interest is only payable on the actual balance outstanding, but nevertheless are better employed as a temporary measure. A considerable loss may result from a forced realisation of assets, and the company's activities may have to be curtailed or even terminated. As a repayment or reduction in an overdraft is most likely during a business recession it may well be that the creditors are also requesting payment, and that trade debts are harder to recover.

Working capital is provided from capital and long-term liabilities and from trade creditors.

The latter often form a large part, and while interest is unusual prompt satisfaction is expected, necessitating the retention of sufficient liquid resources. Where there is little likelihood of a reduction in a bank overdraft being requested, the undrawn balance may be regarded as a liquid asset. The total amount invested in stores, raw materials, work in progress, and finished goods, will fluctuate in sympathy with the sales volume, but a large part can be regarded as a permanent investment, and it is a wise policy for the current assets, excluding that part, to exceed the current liabilities.

The rights to be attached to the share capital required will also largely depend upon the money market. To avoid hampering the company's future financial affairs, it is advisable to restrict the rights attached to each class of shares, to those necessary to ensure the success of the issue and to gain the confidence of the suppliers, the business community and the public. The rights attached to each class of shares should be commensurate with the risk; that is, the greater the risk, the greater the return. From the company's point of view ordinary shares are most suitable as they seldom carry any rights other than to dividends if and when declared, and a participation in the assets in the event of liquidation. Preference shares have the prior, and often cumulative right to a fixed rate of dividend. They may also entitle a prior right to a return of capital, and a participation in profits beyond the fixed rate, after the ordinary shares have received what is considered a reasonable return. Other classes of shares exist, such as deferred shares, but these are seldom more than a variation of either preferred or ordinary shares. Different voting power may be assigned to each class of shares, but this will have little effect upon finance.

The dates upon which the calls on shares will become payable will be determined from the cash requirements.

When the amounts needed for fixed and working capital and the source from which it is to be obtained are known, they can be included in the master budget.

A detailed report from the finance manager should be submitted therewith to the directors, pointing out any weaknesses and the way in which they could be overcome. It can be seen whether the expected return upon the proposed capital justifies the investment.

GENERAL

The value of financial planning and control can now be appreciated. By plotting a company's course, dangers can be avoided, and by a constant comparison with the actual results, divergencies can be investigated; sources of loss can be traced and removed. Such systems have been proved in practice to be of inestimable worth. The following points should be noted:

Suitability

Although most suitable to the larger concerns with their extensive ramifications, a system of planning and control can be adopted at little cost, and considerable efficiency to meet the needs of much smaller firms. The individual circumstances must be considered. Normal historical records must still be kept, but should be designed to facilitate the preparation of the budgets. Most of the additional work falls upon the finance manager and his staff. In many cases the sales and production managers have their own methods of recording the work of their department. Neither can object to one which promotes the co-ordination of the work of the departments, clearly shows their part of the results required by management, and is of practical assistance to them in its attainment.

Efficacy

The efficaciousness of the data supplied in the budgets is dependent upon its being (*a*) reliable, (*b*) available to all interested parties as soon as possible. Should either of these requirements be absent the whole expense and work involved is wasted. If an unreliable plan is being followed, danger warnings may not be visible, and the business may unknowingly be heading for trouble. The submission of the budgets should not be withheld merely because the information contained is not absolutely accurate. Their practical value is materially lessened by a delay, for in the case of yearly budgets, it may be too late to enable an organised drive towards the objective, or in the case of control budgets too late to take such corrective action as may be necessary. Both financial planning and subsequent control can successfully be achieved by the use of reports which are substantially accurate. The extent to which meticulous accuracy can be sacrificed for speed can best be decided by actual experience in the light of the surrounding circumstances. Preparatory work for the yearly budget would be commenced some months before the end of the preceding year and a master copy would be completed within, say, a month after the beginning of the new year. Monthly budgets should be available to the general and departmental man-

agers within, say, a week to ten days after the end of the period covered.

Co-operation

One of the major problems of management to-day is the need for co-operation between employers and employees. The lack of interest through the failure to understand another's work is probably one of the greatest 'invisible' expenses in industry and commerce. Management now investigates every means of promoting and encouraging the interest of employees. This spirit of co-operation is just as necessary to financial planning and control, since a large measure of success is due to the quality of the leadership.

Financial planning and control is not a new subject, but has been developed over many years of practical experience. Industry and commerce are vitally interested but their future research is retarded by the lack of knowledge and facilities. The future of all accountants rests upon their ability to meet management's needs, and we should have at least a working knowledge of the subject. Specialised knowledge would be of infinite value, for prevention is said to be better than cure, and financial planning is intended to minimise or completely to avoid the financial effect of business ailments. (*Concluded.*)

WEEKLY NOTES

Portrait of Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A.

With this issue we have pleasure in presenting to our readers a reproduction in colours of the portrait by Mr. Frank O. Salisbury, C.V.O., of Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A., who, from 1945 to 1946, was President of The Institute of Chartered Accountants in England and Wales.

This portrait was subscribed for by members of the Council of the Institute and was presented to Sir Harold at the conclusion of the meeting of the Council held on Wednesday, 5th July, 1950. A full report of the speeches made during the presentation was published in our issue dated 15th July, 1950.

Inland Revenue: Extra-statutory Concessions

In our leading article last week we drew attention briefly to the publication of the ninety-third report of the Board of Inland Revenue (Cmd. 8103. H.M.S.O. 3s. net). All accountants will welcome the decision of the Board to publish a list of the extra-statutory concessions given in the administration of the Inland Revenue duties. During the 1939-45 war a list of wartime concessions was published (Cmd. 6559), but a list of concessions of general application has not previously been published. The list now published is in the form of an appendix to the Board's ninety-third report and it is stated that additions to and deletions from the list will be noted annually in future reports. A knowledge of concessions given by the Board of Inland Revenue is of the utmost importance to all accountants and the decision to publish the list will remove what has long been a source of dissatisfaction throughout the profession. In this connection we would mention that the Council of The Institute of Chartered Accountants in England and Wales in its annual report for 1948 stated that a memorandum regarding, *inter alia*, extra-statutory concessions had been submitted to the Board of Inland Revenue on 1st March, 1949, by a joint committee appointed by the Institute, the Scottish Chartered bodies, the Society of Incorporated Accountants and Auditors and the Association of Certified and Corporate Accountants. The list of concessions given in the Board's ninety-third report covers income-tax, sur-tax, estate duty, corporation duty, stamp duties and profits tax, and we reproduce the concessions elsewhere in this issue.

The Census of Production

The scope of the census of production to be taken in 1952 in respect of the year 1951, and the information to be obtained by it, have now been established. It will cover all productive establishments, including those engaged in building and contracting. There will be questions on working proprietors; employment; wages and salaries; plant, machinery and vehicles; new building work; power equipment and fuel usage; shift-working; materials and fuel purchased; work given out; opening and closing stocks; output; and transport payments. The first five of these, with slight modifications, will be similar to the 1949 census. There will be no analysis of sales section and no information will be sought concerning merchanted goods. Perhaps the greatest departure from recent censuses is the section on power equipment and fuel usage which is expected to provide valuable comparisons with 1930, when similar data was last collected, as to what extent the employment of power has increased in the last twenty years.

Lithography Productivity Team

A Lithography Productivity Team has left for a six weeks' tour of the U.S.A. under the auspices of the Anglo-American Council on Productivity, with Marshall Aid. A member of the team is Mr. P. C. Lloyd, F.C.A., who is a partner in the firm of Messrs. J. B. Hughes & Lloyd, Chartered Accountants, of Liverpool, and secretary of the Liverpool and District Master Printers' Association.

Much of the current prosperity is based on a world preparing for peace through strength. The fiscal position at the year-end could be transformed by successful defence mobilization. Production is high but only to a limited extent canalized into those channels which are essential for the security of the State. Inflation ensures high production, but not of the right things.

The figures say no more than that nearly everyone is busy and no one is prosperous.

The Dollar Surplus

This note of paradox was present in the Chancellor of the Exchequer's remarks recently when he released the figures of this country's exchange reserves as at the end of 1950. Last year was a good one, he said in substance, but its conditions and experience could not be expected to continue into 1951. He drew particular attention in this context to the difficulties which might be expected in maintaining the flow of raw materials to industry and to the ominous inferences which could be drawn from the December trade figures which he released at the same time. In December, exports were sharply down on November, though not particularly so if the figures are put on a working day basis. But while exports fell, imports reached a new high level. In consequence, the visible trade gap at £43 million was the largest since June. It is probable that much of the widened gap can be laid at the door of rising import prices. The worsening situation in the terms of trade for this country was underlined by the Chancellor who revised his previous estimate of the additional amount of exports necessary this year to pay for the same quantity of imports from £300 million to £400 million.

This country's gold and dollar reserves ended 1950 at $3,300 million. This is well over double the level at which they stood when the pound was devalued. Much of the increase appears to have been due, however, to the speculative movement of funds into London in October when rumours of the upward revaluation of the pound were persistent abroad. The movements in the gold and dollar reserves between the middle of 1949 and the end of last year are shown in the table set out below.

(Millions of $)

—	*Gold and $ surplus*	*Marshall aid etc., received**	*Total surplus*	*Gold and $ reserves end of period*
1949				
2nd quarter	— 631	+ 370	— 261	1,651
3rd quarter	— 539	+ 313	— 226	1,425†
4th quarter	— 31	+ 294	+ 263	1,688
1950				
1st quarter	+ 40	+ 256	+ 296	1,984
2nd quarter	+ 180	+ 258	+ 438	2,422
3rd quarter	+ 187	+ 147	+ 334	2,756
4th quarter	+ 398	+ 146	+ 544	3,300

* Including drawings on Canadian credit and I.M.F.
† Lowest point, $1,340 million.

Wages Thaw Continues

The thaw in the wages freeze is now in full swing. In the last few weeks three large sections of the labour market have been pressing, with varying degrees of success, their demands for higher wages. The building industry operatives recently turned down the offer of the building employers for a small increase and a joint committee has now been set up to consider the possibility of reaching agreement. It is to report back in a month. If the increase were met in full the men would get about £1 a week more which spread over about one million operatives would have a noticeable effect on prices. It does not appear likely that the entire increase demanded will be conceded, however.

Also recently the railway unions continued to plead their case for higher wages before the Wages Enquiry in London. The Railway Executive estimate that if the full demands of the men were met, the wages bill would go up by £17 million a year.

While these two industries are still at the negotiation stage with their demands, the miners have secured important wage concessions from the National Coal Board – a development which followed pretty clearly from the Prime Minister's sympathetic allusions to wages in the statement issued after the talks with the miners' representatives in Downing Street three weeks ago. Minimum rates for underground workers have been increased by 7*s* to £6 7*s* a week and those on the surface by 5*s* to £5 10*s*. One estimate puts the cost of the increase at £6 million a year to the industry.

Unless increases such as these are directly offset by corresponding advances in production, they can only add to the inflationary pressure at a time when the national resources should be switched more and more to other than consumer goods.

The Brabazon Experiment

The Government has decided that there will be no production models of the Bristol Brabazon built. The two versions in existence are prototypes and are to be considered as experimental aircraft. This project, taking into account the extensive runway and hangar installations at Filton, will have cost the taxpayer about £12 million.

The first Brabazon made its flight in September 1949. It is powered by eight paired piston engines. The second version, which will have paired airscrew-turbine engines, is expected to make its first flight in September 1952. The aircraft as a type was conceived as the answer to the problem of a regular non-stop flight of the Atlantic from this country to New England. It was without doubt a bold and imaginative enterprise.

Nevertheless, there are indications that this combination of public and private enterprise has been outstripped in technical matters and in the race to the production stage by the de Havilland Comet, which although it was set a less ambitious specification for non-stop flight, has none-the-less now reached the production stage.

since the revenue from these will subsequently be heavily reduced with the disappearance of the debt as a form of taxable capital, and its interest as a source of taxable income.

In Great Britain, it so happens that the existing circumstances are unfavourable for a levy of this nature. Interest rates are relatively low and the revenue is very dependent on progressive taxes, so that the drop in future receipts from sur-tax and estate duty would be extremely serious. In this respect, one tends to forget that Britain's high rates of income-tax and sur-tax ensure that the national debt is self-supporting to a considerable degree. Consequently, the repayment of even a large block of the national debt would scarcely permit any reduction in income-tax at all.[1]

Conclusions

At the present juncture however, a capital levy has been put forward as a means of paying for the rearmament programme; a very different proposition from the repayment of part of the national debt.

In these circumstances, the sole criterion is the part a capital levy would play in solving the problem of shifting men and materials from civilian production to armament work. Obviously, rearmament can only be 'paid for' by taxes if those taxes absorb money that individuals would otherwise have spent on current consumption or on capital equipment. Unfortunately, a capital levy passes none of these tests. As we have seen, it is paid for out of past savings; therefore it cannot restrict current consumption. Instead, it is a way of redistributing wealth, and whether the pace of redistribution should be speeded up beyond that already attained via estate duty is a very debatable subject. In any event, to insist on a capital levy (or higher death duties) as a means of paying for the cost of rearmament is about as sensible as a company crediting the proceeds of a new issue of shares to profit and loss account and then declaring a dividend on the strength of the 'profit' earned!

[1] An estimate made on the basis of the 1938 distribution of wealth and structure of income-tax showed that the net saving in income-tax did not exceed 6*d* in the £. The continued fall in interest rates and the steep rise in tax progression implies that the saving would be even smaller now. Cf. *Taxation of War Wealth*, Hicks & Rostas.

WEEKLY NOTES

Public Accountability

Mr Ralph Assheton, M.P., a former chairman of the Public Accounts Committee, speaking at a meeting of the Blackburn Chamber of Commerce last week, said that public expenditure had increased to such an extent that the present machinery of control was inadequate. He suggested that it might be necessary to establish another select committee of the House of Commons to examine the accounts of nationalized industries. This new committee would also receive reports from the private auditors of these undertakings similar to those on the spending departments submitted by the Comptroller and the Auditor-General.

A debate held in the House last October on the control of nationalized undertakings, in which this point was raised, was reported and commented on in our issue of November 4th, 1950.

N.U.M. on Taxation

The National Union of Manufacturers has submitted to the Chancellor of the Exchequer its views about taxation for consideration in connexion with the next Budget. While recognizing the need for doing everything possible as regards general taxation to put the country in a state of adequate defence, the N.U.M. considers that industry cannot stand any additional burden without gravely impairing its competitive capacity in export markets. It also calls for a greater measure of Government economy in spending. This should be done, it thinks, by setting up a committee with independent status to stop or curtail all items of expenditure which are not necessary for the nation's defence or economic health.

It also considers that the profits tax on undistributed profits should be repealed and that the maximum allowance of £2,500 as the chargeable remuneration of working directors should be raised. The need for purchase tax should be gradually removed by cuts in State expenditure and until these economies can be secured, there should be one rate of tax – 33⅓ per cent.

The Paradox of Production

The last quarter of 1950 closed with a remarkably favourable series of economic indices. There was a substantial overseas surplus and the Exchequer returns showed revenue to be well ahead of expenditure. Now the latest indices of industrial production show November to have reached a record level. It would not be surprising if the December figures revealed a further advance when they become available. According to the London and Cambridge index of industrial production, activity rose by a further two points in November to reach 146 (1946 being the base year), thus setting up a new record.

Despite these favourable omens for the new year, it has opened with a most unsettled business outlook. The international situation makes extremely hazardous any forecasts of whether the good conditions at the close of 1950 will be carried on into 1951.

In practice, arrangements might have to be made for taxpayers to discharge their levy liability by instalments otherwise forced sales would unduly depress capital values. In a situation where everyone is anxious to unload goods or securities on the market and no willing buyers are coming forward with the means to buy, market values must move in accordance with the law of supply and demand. Or failing payment by instalments, bank loans would have to be shouldered by levy payers in order to pay the Exchequer and if in fact a considerable part of the levy is paid out of new borrowing, the effect would certainly be inflationary.

Although a capital levy is imposed on savings accumulated through past effort, its influence may well extend into the future by destroying people's confidence in the value of their savings and thus impair the will to save. In short, the spirit of thriftiness may be destroyed in one or more generations.

Another criticism of a capital levy which is often overlooked is the expensive administrative machinery which would be needed to conduct the levy. Valuation for estate duty purposes imposes very little strain on the existing machinery since the number of estates falling in year by year is fairly stable; and in most years capital values are steady enough to ensure that no great hardship will arise if the winding-up of the estate is delayed for some time. Yet few of these favourable features would be present when valuation for a once-for-all levy is envisaged.

To begin with, the magnitude of the task suggests that there would be a desperate shortage of trained valuers, and it is doubtful whether valuation could be completed within a short period. Yet with property values fluctuating wildly, any undue delay in valuation might be grossly unfair as between one taxpayer and another.

Clearly, if a capital levy is to be worth while, it must be on a high enough scale to pull in a really astronomical yield. In this sense, a capital levy is an exceptional remedy and its use should obviously be restricted to exceptional emergencies.

Repayment of the National Debt

A capital levy is often put forward for acceptance after the end of a war as a means of extinguishing the millstone of deadweight debt which has accumulated during the course of hostilities. Now, when a levy is advocated as a means of *paying off a large part of the national debt* there are really two distinct questions involved, one that the capital of the debt is too great, the other that the annual cost of debt service (interest and transfer to sinking fund) is too high.

As regards the first question, it is not always desirable to repay a substantial part of a huge national debt when one reflects that the elimination of such a large amount of private property (the individual gilt-edged securities making up the national debt are investments to the holders in spite of the fact that they are debt in the eyes of the State) must necessarily have very disturbing and deflationary effects at the time when the operation takes place. The question of whether, and when, to make an exceptional effort to pay off debt, brings into the foreground the whole policy of public finance and its relation to the national income.

Viewed in this light, the present position is by no means serious. Thus it may come as a surprise to some to learn that the proportion of national income required for debt service was lower in 1948–49 (at about 5 per cent) than in 1921–22 (about 6¾ per cent). Or that only 0·8 per cent more is required today than the 1938 proportion. No doubt £500 million or so sounds a lot of money to pay out for debt service each year, but in relation to the swollen expenditure appearing under the civil and defence estimates (social security costs, defence programme, etc.), the cost is comparatively moderate. In 1948–49, for example, food subsidies alone totalled nearly as much as the annual cost of the debt service.

Saving on Annual Cost

The case for a capital levy on the grounds of the high annual cost of the debt service (in terms of the taxation which must be imposed to provide the revenue) rests, at first sight, on a substantial basis. It is essentially, a case against a high income-tax. If, then, the object of a levy is to secure a reduction of income-tax, its efficiency must be judged by the extent to which repayment of the debt would cause a *net* saving in the budget position. This depends upon three vital factors. First, the rate of interest which has to be paid on the debt (determining the revenue required to service a given sum, and, therefore, the revenue saved by paying it off). Secondly, the extent to which debt interest is subject to income-tax, and the capital of the debt is held by those liable to income-tax (determining the extent to which debt holders will furnish their own interest via their tax payments). Thirdly, the extent to which the Revenue normally relies upon progressive taxation (sur-tax on the income side and estate duty on the capital side),

FALLACY OF A CAPITAL LEVY

by R. W. MOON, B.Litt., A.C.A.

THE increased tempo of expenditure in connexion with the rearmament programme is expected to drive up defence costs by another £300 million in 1951–52 and by rather more in the following two years. In fact, it is anticipated that total expenditure in this first year of the programme will not fall far short of the proposed average expenditure of £1,200 million over the next three years.

Much thought has recently been devoted to ways and means of meeting this bill, in view of the heavy burden thrown upon the expenditure side of the budget. In this connexion, a capital levy has come in for attention in some quarters, the aim being to 'tap the accumulated personal wealth of the nation' as one organization described it.

Now a capital levy is really nothing new in the field of public finance. For instance, as long ago as 1894, Sir William Harcourt introduced a minor form of capital levy under the title of estate duty; a levy which remains with us to this day only in a more depredatory form. Incidentally, estate duty was the first progressive tax to be sanctioned in Great Britain, and it has certainly lived up to its early reputation, as the present scale of duty climbs very steeply indeed, reaching as high as 80 per cent of the net principal value of an estate over £1 million.

Another unusual kind of capital levy was imposed in 1948 under the somewhat vague title of the special contribution. In this case, the contribution was levied on investment income arising from the ownership of property, instead of being assessed upon a proper capital valuation. In other words, capital values were presumed from the income derived therefrom, and it is interesting to recall that the Inland Revenue authorities once commented upon this 'method' of valuation in the following terms: 'To call the result a capital valuation would be an abuse of language.'[1] Moreover, the estimated total yield of the special contribution was only £105 million; a long way short of even one year's increase in rearmament costs.

The real differences, however, between estate duty and a capital levy proper are firstly, that the former falls upon the property of those who happen to die during the course of a financial year, whereas the latter falls upon that much larger body of people who have the misfortune to be alive when the levy is imposed. Secondly, estate duty is now a regular part of the revenue and collected annually, whereas a capital levy is a once-for-all impost.

Advantages of a Levy

A capital levy shares the advantage of income-tax over indirect taxes – that it can be closely adjusted to ability to pay – although it is difficult to achieve quite the same degree of accuracy since capital of like amount does not necessarily yield equal income. Then, the possession of capital may be said to give its owner social and economic advantages – advantages of security and opportunity quite apart from the income derived from the capital investment. Again, inequality of incomes stems mainly from inequality of inherited wealth; and a policy of redistribution depends upon the use of progressive capital taxes. Finally, there is the important consideration that while high income-taxes discourage incentive and stifle enterprise (besides putting a premium on evasion), capital taxes (including the recurrent type like estate duty) are much less likely to have this effect, since the tax base is linked with past action and not with present effort.

Disadvantages of a Levy

One major drawback to a capital levy is that the community as a whole may be living on capital without realizing that fact. The dis-saving caused by payment of a capital levy (the unforeseen nature of a levy makes it inevitable that the charge will be paid out of saving; i.e. by realizing property of one kind or another) may lead to a situation where the community is existing on capital, *unless* savings equal in value to the taxpayer's loss of capital take place elsewhere in the economy as a whole. In addition, much depends upon the quality of savings, i.e. personal dis-saving ought to be matched by an equivalent amount of new personal savings. Today, however, the bulk of net new saving is found in the undistributed profits of business firms and in budget surpluses. Nowadays, personal savings are just about large enough to offset the annual dis-saving caused by estate duty payments, therefore, the impact of a capital levy would have very serious repercussions.

[1] In a memorandum prepared for the Select Committee on War Wealth after the 1914-18 war.

The warrants for the wools were not delivered but a promise to deliver them by a certain time was added at the foot of the letter. The factor ultimately absconded without delivering the warrants. Later the pledgee obtained the keys of the warehouse and took possession of the wools. The factor was later adjudicated bankrupt. It was held that the letter of hypothecation created a good equitable charge that it did not require registration under the Bills of Sale Act; that the goods were not in the order and disposition of the bankrupt; that the transaction was a valid pledge under the Factors Act; and that the pledgee had a good title against the trustee in bankruptcy.

Loss of Security

There is, however, one way in which a banker's security may be lost, and that is by the trader, to whom he has returned the documents of title, fraudulently using his power under the Factors Act and pledging the goods elsewhere.

The common law rule was that where goods were represented by documents, the transfer of the documents did not in itself effect a transfer of the goods – except in the case of a bill of lading, an exception derived from the law merchant. In addition to the transfer of documents, it was necessary for the custodian of the goods to be told of the transfer and to agree to hold the goods to the order of the transferee. The Factors Act, however, which was passed to protect bankers, provides that a person who bona fide advances money to a mercantile agent on the security of documents of title which the agent has in his possession, can presume that the agent has the owner's consent to pledge them, and will receive a good title, provided that the agent is in possession of the goods with the owner's consent.

Possession with Owner's Consent

This last proviso was important in the case of *Lloyds Bank Ltd v. Bank of America* ([1938] 2 All E.R. 63). In that case a company pledged certain bills of lading with the plaintiff bank as security for advances. A letter of hypothecation gave the bank power, without further reference to the company, to sell or deal with the goods as absolute owners. The plaintiff bank then handed back the bills of lading on the normal terms of a letter of hypothecation, so that the company could sell them and repay the advances. Instead of selling the goods, the company pledged them again with the defendant bank for further advances. The company was insolvent and the plaintiff bank thereupon sued the defendant bank for the return of the bills of lading or damages for conversion. The Court of Appeal did not decide precisely where the ownership of the goods lay, but held that it was in the plaintiff bank, either solely or in conjunction with the company, and in either case the company had possession of the goods with the consent of the owners. The company was a mercantile agent within the meaning of the Factors Act and the pledge to the defendant bank was therefore valid and the plaintiff bank had no redress against the defendant bank.

In that case counsel for the plaintiffs pointed out the dangers to the commercial community of deciding that a person to whom documents had been released in this way was a mercantile agent within the meaning of the Factors Act. Mackinnon, L.J., dealt with that point, at page 73, by saying:

> 'The truth is that almost every aspect of commercial dealing is not proof against the possible result of very rare frauds. . . . I have no doubt that this very convenient practice will be able to continue and that it will be able to continue because the whole basis of business rests upon honesty and good faith, and it is very rarely that such an expectation is defeated.'

In conclusion, reference may be made to the decision of the Privy Council in the case of *Official Assignee of Madras v. Mercantile Bank of India* ([1935] A.C. 53). In that case an owner of goods handed to a bank endorsed railway receipts relating to the goods as security for an advance, and the Privy Council held that in the absence of evidence to the contrary, and even without a formal letter of hypothecation, there was thereby constituted an equitable charge upon the goods binding between the owner and the bank without notice to those having custody of the goods. The Court further held that the pledgee did not release the pledge by handing the receipts to the pledgor in order that the latter might collect the goods from the railway company and place them in a warehouse upon behalf of the pledgee, and that the fact that the receipts had been handed to the pledgor for the above purpose did not render the goods, goods in the possession, order or disposition of the pledgor.

The position with regard to letters of hypothecation accordingly may be regarded as an exception to the general common law rule that a pledge of documents is not to be deemed to be a pledge of the goods, the documents being regarded as merely tokens of authority to receive possession (1935 A.C., at page 59, per Lord Wright in the *Mercantile Bank of India case* (*supra*)).

LETTERS OF HYPOTHECATION

THEIR PRESENT POSITION IN ENGLISH LAW

by T. J. SOPHIAN, Barrister-at-Law

ENGLISH law now recognizes various ways in which a person or a bank may safely advance money to a trader upon the security of goods without going to the trouble of obtaining possession of the goods themselves. It has long been common practice for the lender to receive only the documents of title to the goods as his security, but this has led on occasions to further difficulty when it is necessary for the borrower to have the documents back before he can complete the transaction and repay the loan. To overcome this difficulty, mercantile custom evolved, and the law has in comparatively recent times confirmed, the use of the 'letter of hypothecation', or 'letter of lien', or 'letter of trust' as it is sometimes called.

The common law rule is that the holder of goods or documents of title to goods who parts with possession of them destroys the pledge, with the exception that if he *redelivers them for a limited purpose only* the pledge is not destroyed. Clearly, then, a bailor with whom some such documents as bills of lading have been deposited will not be justified in parting with them, however necessary it may be for the borrower to have them in order, *inter alia*, that the loan may be realized, unless he can be sure that he is redelivering them for a limited purpose within the meaning of the rule.

Form of Letter of Hypothecation

The 'letter of hypothecation', to achieve this result, is somewhat in this form. The borrower, in return for the redelivery of the documents of title, undertakes: (i) to hold the goods and documents of title and the proceeds of the sale as trustee for the bank; (ii) if the documents are needed to obtain delivery of the goods, to warehouse the goods in the bank's name and deliver the warrants to the bank, and to insure the goods and hold the policies on behalf of the bank, and to pay any insurance moneys to the bank; (iii) if the goods are needed in order to deliver them to the buyer, to pay the bank the proceeds without deduction and immediately on receipt of them, to give the bank authority to receive the purchase money from any person, meanwhile holding the goods in trust for the bank; (iv) to keep the transaction separate from other transactions.

Distinction between 'Pledge' and 'Bill of Sale'

The validity of letters of hypothecation has on several occasions been challenged in the courts without success. In *Re Hall, ex parte Close* ((1884) 14 Q.B.D. 386) a boot and shoe manufacturer, whose banking account was overdrawn, had bought some leather on credit. He deposited the invoice for the leather with the bank and gave the bank a delivery order directing the railway company to hold the leather to the order of the bank. The bank then advanced him £500 and entered a minute of the transaction, signed by the trader, in its ledger. Some months later the trader went bankrupt. The bank sold the leather and the trustee in bankruptcy claimed an order that the proceeds of the sale be paid to him, on the grounds that the delivery order and minutes constituted a bill of sale which was void for lack of registration. The Court held that the transaction was not a bill of sale, but a pledge and the bank had a good title to the proceeds of the sale. Carr, J., said, at page 393:

> 'I am satisfied on the construction of the Bills of Sale Act that they do not include letters of hypothecation accompanying a deposit of goods by merchants or factors, or pawn tickets by pawnbrokers, or in fact any case where the object and effect of the transaction are immediately to transfer the possession from the grantor to the grantee.'

This decision emphasizes the difference between a pledge and a bill of sale. A bill of sale is a transaction whereby the holder has power to seize the goods in question in certain events. The essence of a pledge is that the documents of the transaction pass immediate possession to the pledgee.

'Reputed Ownership'

Another basis for attack has been the reputed ownership clause in the Bankruptcy Acts, on the grounds that the goods, being in the possession, order or disposition of the trader with the banker's consent, are in the reputed ownership of the trader, and therefore pass to his trustee in bankruptcy. This method of attack has also proved unsuccessful. (*Re Slee, ex parte N.W. Bank* ((1872) L.R. 15 Eq. 69.)) In this case, a factor and warehousekeeper, by letter of hypothecation, pledged certain wools to secure a sum of money.

parison with the previous period is provided with columns for individual increases and decreases, so that the net increase or decrease of working capital may be accounted for. The values of the various assets and liabilities for the corresponding period of the previous year are also shown.

(iv) Source and application of funds

	£
Source:	
Net profit for period (Section ii)	
Addition to profit for prior periods ..	
Depreciation for period	
Sale of fixed assets	
Sale of trade investments	
Long-term debt	
Proceeds of share issues	
Valuation adjustments	
	£
Application:	£
Net loss for period (Section ii)	
Reduction of profit for prior periods ..	
Dividends paid (net)	
Taxation	
Redemption of long-term debt	
Additions to fixed assets	
Additions to trade investments	
Valuation adjustments	
	£
Net increase/decrease in working capital ..	£

Both the figures for the period and the cumulative figures for the year to date are given.

(v) Cash budget

The cash budget, which is in the ordinary form, covers each of the three periods immediately ahead.

(vi) Personnel

(*a*) Employed – beginning of period ..	
(*b*) Engaged during period	
(*c*) Left during period	
(*d*) Employed at end of period	
(*e*) Labour turnover rate for period (being percentage of (*c*) to (*a*))	%
(*f*) Left during year to date	
(*g*) Employed a year ago	

As well as a total column, which is subdivided to show male and female numbers, analysis columns for works operatives, works staff and indirect labour, distributive staff and other staff, similarly subdivided, are given.

(vii) Operating and financial ratios

1. Gross profit as percentage of sales..	%
2. Period of stock turnover	months
3. Sales per person employed ..	£
4. Ratio of cash to current liabilities ..	%
5. Ratio of current assets to current liabilities	%
6. Average length of credit given ..	weeks

Statistics are given for the present period, the previous period and the period last year corresponding to the one under review.

If the business is departmentalized and if sufficiently detailed records are kept, the first two sections will be of much greater value if they are so expanded as to give the results of each individual department. This can be done quite simply by the use of analysis columns. In the case of larger businesses, with, for example, more than one factory, further adaptations to these sections (which, in their present form, are intended primarily for the smaller concern) will almost certainly be necessary, but these modifications should not radically alter the general outlines which are designed to provide all the essential information.

The completed statement should be accompanied by a brief report prepared by the accountant. This may not be more than a series of notes, but it should interpret the figures clearly and account fully for any variations in them. The degree of detail to be supplied will be determined by what first-hand knowledge the directors already have of the routine management of the business.

Finally, it is important to realize the limitations, as well as the usefulness, of all statistical information submitted to management. As the author points out:

> 'The statement can serve as an aid to management. It is not a substitute for it. It achieves nothing unless it prompts the directors to ask the right questions and, having asked them, to follow this up by taking the right action. Only in so far as the information which the statement gives serves as a spur and a guide to effective action can the time and money spent on it each month be justified.'

The text is accompanied by a series of appendices and full explanatory notes dealing with the practical problems, among them the ascertainment of stock and work in progress, likely to arise in assembling the information.

INFORMATION FOR MANAGEMENT

IT is now generally recognized that one of the essentials to efficiency in a commercial undertaking is that regular and reliable information, in a more or less standardized form, should be made available at frequent intervals to the management. The data presented must be vital, timely and accurate. In other words it must be news – not history – in a form capable of being easily interpreted and used as a guide to future policy. There is often, however, a wide gulf between the acceptance of this truth and its successful application, and while the need for such a service may be realized, the practical problems of starting and maintaining it may make many firms of modest dimensions and resources hesitate.

It is with a view to overcoming these difficulties that the Industrial and Commercial Finance Corporation Ltd has recently issued a most useful booklet[1] describing and explaining in some detail a suggested form of statement for presentation to the monthly board meeting of a small or medium-size company. The statement is so designed as to supply not only the vital figures for the period under review, but also to provide comparisons, where applicable, both with the budgeted figures for that period and with the results of past periods, thus enabling the directors to assess and control the activities of the concern and to plan ahead in the light of previous and present performance.

For accounting purposes, the year is divided into thirteen periods of four weeks. Every sixth year has one five-week period and a total of fifty-three weeks. The statement consists of seven sections: orders on hand, revenue, working capital, source and application of funds, cash budget, personnel, and operating and financial ratios. Although the sections have a certain continuity (the sales orders in the first producing the revenue in the second; the net profit in the second being an addition to the working capital in the third, and so on) each is independent, and all seven need not be brought into operation at once. Nor does it follow that all the sections would be required as often as every four weeks. The particular conditions of the business the transactions of which the statement is intended to reflect, must decide both its extent and the frequency of its appearance.

[1] *The Monthly Statement as a Management Tool*, written for I.C.F.C. by David Solomons, B.COM., A.C.A., Reader in Accounting at the London School of Economics and Political Science in the University of London.

The outlines of the various sections, which together give a concise picture of the scope of the information to be submitted, are:

(i) Orders on hand

	£
Orders on hand – beginning of period ..	
New orders booked, less cancellations ..	
Sales (net)	
Orders on hand – end of period	
Less Estimated work in progress (at sales value) at end of period	
Work on hand – end of period .. £	

As well as stating both the actual and the budgeted figures for the period under review, the cumulative actual and budgeted figures for the year to date, together with last year's actual to the corresponding date, and the budget for the next period are shown.

(ii) Revenue

	£
Total sales	
Prime cost of sales	
Gross profit .. .. £	
Total operating expenses (detailed) .. £	
Operating profit	
Interest and dividends receivable (gross) ..	
Other income	
£	
Interest payable (gross)	
Special losses	
£	
Total net profit, subject to taxation and appropriations .. .. £	

The information given in this section covers the same periods of time as the previous section.

(iii) Working capital

This is a straightforward statement in which the working capital is arrived at by deducting the total of the listed current liabilities from the total of the listed current assets. A direct com-

the cost of the overseas services, is based on detailed estimates of expenditure submitted each year by the B.B.C. The annual accounts of the Corporation, audited by a firm of chartered accountants, are presented to the Postmaster-General who lays them before Parliament.

A member of the Committee, MR I. A. R. STEDEFORD, chairman of Tube Investments Ltd, after his examination of the financial administration of the Corporation, paid high tribute to its efficiency in these words:

> 'A detailed study of the B.B.C.'s accounts and accountancy methods has shown that the Corporation has a firm grasp of the principles of financial control and wields them most effectively. All the information which could possibly be required by the Director-General is readily available, and financial planning is of a high order. It has seldom been my good fortune to examine a more efficient and intelligently-handled financial organization.'

MR STEDEFORD'S comments were based on the reactions of the Corporation's Financial Department to a formidable questionnaire prepared by him. He found that the officials 'knew all the answers' and that the B.B.C. had nothing to learn from any other organization known to him as to the methods of keeping a grip on income and expenditure.

The Committee points out that, full and efficient as the financial records of the B.B.C. are, the published accounts contain little more than the legal minimum required by the Companies Act, 1948. In this respect, their brevity and reticence compare unfavourably with the admirably documented accounts of the National Coal Board which also are laid before Parliament. From figures supplied by the Governors it is disclosed in the report that for the year ended March 31st, 1949, the London, Midland and North Regions together had an excess of income over expenditure of £872,000. This surplus was used to meet the aggregate deficiency of a like amount on the other four Regions of Northern Ireland, Scotland, Wales, and West of England.

The B.B.C. submitted to the Committee a forecast of income and expenditure (including capital expenditure) for the ten years to March 31st, 1958. The figures were based on the five main assumptions that all expenditure, capital and revenue, should be met out of licence and other income; that income from whatever source it was derived could be applied to any purpose (e.g. it was proposed to use about 20 per cent of sound licence income for television in addition to the money received for television licences); that the licence fees should remain at £1 for sound only and £2 for both sound and television; that the B.B.C. would receive 100 per cent of the net licence revenue; and that the Corporation would be exempt from liability to income-tax as from the beginning of the current financial year 1950–51.

Commenting on this plan, the Committee considered that development might reasonably be financed by outside sources and recommended that the Corporation be authorized, with the consent of the Postmaster-General, to borrow up to £10 million for capital expenditure. For reasons of devolution and social equity and also because sound broadcasting is still far from satisfactory throughout the country, the Committee were unable to agree to the B.B.C.'s proposal to use income from sound licences for the expansion of television. This could be financed by borrowing or by raising, without undue hardship, the licence fee for television. It was recommended that, in view of the very large programmes of broadcasting development, the Corporation should receive, for at least the first five years of the new Charter, 100 per cent of the net licence income. The question of whether or not the Corporation should cease to be assessable to income-tax will probably be referred to the Royal Commission recently set up to review the whole basis of taxation.

There can be no doubt that LORD BEVERIDGE and his colleagues, assenting and in varying degrees dissenting, have presented clearly and (in spite of the massive bulk of the report) concisely the fundamental problems of British broadcasting. Controversy will doubtless rage in Parliament and Portland Place on their recommendations on such issues as monopoly, the scope and functions of the Governors and commercial broadcasting (which the Committee did not favour) but on one important point there will be complete unanimity. That the financial arrangements of the Corporation are above suspicion is most reassuring and when it is remembered that Government committees are not prone to overpraise, the complimentary references in the report to the efficiency of the administration are a matter of congratulation for all concerned.

The Accountant

ESTABLISHED 1874

JANUARY 27TH 1951 VOL. CXXIV NO. 3971

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B.B.C. FINANCES

THE report of the committee set up in 1949 to consider the constitution, control, finance and other general aspects of the British Broadcasting Corporation and to advise on the conditions under which it should be conducted after the end of this year when the Charter expires, was issued last week.[1] It reviews at considerable length the whole structure of the organization and makes many important recommendations. The Committee, with the exception of one member who expressed himself in a minority report, favoured the continuance of the monopoly of broadcasting in this country at present enjoyed by the B.B.C. and recommended that the Charter should be renewed at the end of the year with no fixed time limit but with certain modifications.

One danger of monopoly envisaged was that

'when a sense of mission such as animates the B.B.C. is combined with security of office it may grow into a sense of Divine Right.'

As a safeguard against this tendency, the Committee proposes greater regional devolution in the shape of three broadcasting commissions for Scotland, Wales, and Northern Ireland. Each of these would consist of a chairman (who would be a Governor of the B.B.C.) and four other members. The greatest possible measure of autonomy would be accorded to the commissions in finance and general administration and in maintaining in their home programmes the distinctive cultures of their respective regions. Another safety measure recommended is that the activities of the Corporation should be reviewed every five years by a small independent committee appointed by the Government. Its survey would include major financial questions and matters of broadcasting policy.

Many interesting observations are made by the Committee on the finances and financial administration of the B.B.C. The Corporation's income is derived, directly or indirectly, from three main sources, the sale of wireless licences to home listeners and viewers, the Government grant-in-aid for the overseas services, and the profits from publications, mainly the *Radio Times*. From the first of these, the Post Office deducts a 'service charge' of $7\frac{1}{2}$ per cent and then out of the total receipts of the Exchequer an amount equal to, at present, 100 per cent of the net licence revenue is allocated (sub-head A of the broadcasting vote) to the Corporation. With this sum and with profits from B.B.C. publications and miscellaneous receipts, the Corporation meets all the costs, capital and revenue, of home broadcasting and television. The grant-in-aid (sub-head B of the broadcasting vote) which covers

[1] Report of the Broadcasting Committee, 1949, H.M.S.O. 6*s* 6*d* and Appendix of Memoranda submitted to the Committee, H.M.S.O. 10*s* 6*d*.

The Chartered Accountant Students' Society of London

In response to the demand of members, the Chartered Accountant Students' Society of London has arranged for the production of ties and squares bearing an emblem appropriate to the Society. The emblem contains the scales of the Institute, supported by the sword of the City of London, and is woven in gold on a blue background. Ties at 11s. 6d. each and squares at 42s. may now be obtained from the Students' Society Library or from the office of the Secretary of the Students' Society.

Double Taxation Relief: Greece

The United Kingdom and Greek Governments have concluded a reciprocal agreement for the relief of double taxation of profits derived from the business of air transport. The agreement, which applies to Cyprus as it applies to the United Kingdom, was recently published as a Schedule to a Draft Order in Council.[1]

[1] The Double Taxation Relief (Air Transport Profits) (Greece) Order, 1951. H.M.S.O. 2d.

Accounting and Statistical Tools of Management

COURSE OF LECTURES

A series of six afternoon lectures has been arranged for those in administrative positions by the City of London College, on the subject 'Accounting and statistical tools of management'.

The lectures are to be given at 3 p.m. each Wednesday, commencing on 31st January, at the City of London College, Moorgate, E.C.2. The fee for the course is £1 4s. od.

Details of the programme are as follows:

31st January: 'Statistical concepts applied to industrial and commercial use', by Mr. L. A. Terry, B.Com., Director of the College; *7th February:* 'The integration of accounting, statistical and management records and their simultaneous production', by Mr. A. L. Burnell, F.I.M.T.A., A.A.C.C.A., Secretary, South Eastern Electricity Board; *14th February:* 'The measurement of efficiency from accounting records', by Mr. E. F. Brown, F.C.W.A., Chief Cost Accountant, Ferranti Radio Ltd.; *21st February:* 'Statistical control in relation to sales', by Mr. J. R. Halliday, British Insulated Callender's Cables Ltd.; *28th February:* 'The problem of overhead costs and their allocation', by Mr. C. E. Sutton, A.S.A.A., A.C.W.A., Deputy Chief Accountant, The Metal Box Company Ltd.; *7th March:* 'Productivity report on management accounting (the Anglo-American Council on Productivity)', by Mr. Stanley J. D. Berger, M.C., F.C.I.S., Director, Institute of Cost and Works Accountants; Secretary to the Management Accounting Team.

Firm's Annual Dinner and Dance

About a hundred members of the staff and their friends were the guests of the partners of Messrs. Carter & Co., chartered accountants, at a dinner and dance held at the Imperial Hotel, Birmingham, on Thursday, 28th December, 1950, presided over by Mr. E. P. Q. Carter, F.C.A., the senior partner.

The toast of 'The Firm' was proposed by Mr. J. Sayer, a senior member of the staff, who gave some amusing reminiscences of his early days with the firm.

In his response, Mr. Carter made witty reference to the diaries of Samuel Pepys, that 'very able accountant', whose candid pages revealed a somewhat unethical interlocking of his personal and business accounts, frequently necessitating the burning of much midnight oil before he could write 'And so to bed'!

Entertainment and dancing concluded a most enjoyable evening.

Our Weekly Problem

NO. 29. THE HOT BATH

The hot tap in Mr. L. U. Sidate's bathroom produced hot water of 125 degrees and the cold tap 65 degrees. If Mr. Sidate took a cold bath it took three minutes to fill, but if he turned both taps on he found that the temperature of 105 degrees was just right for a hot bath. One morning Mr. Sidate in thinking over a problem omitted to put in the plug which normally emptied the bath in two minutes. By the time he had finished shaving with his new electric razor he discovered that the bath had filled to the right depth and temperature.

How long did Mr. Sidate take to shave?

The answer will be published next week.

ANSWER TO NO. 28. A SORT OF SNAP

The solution is too long to print but the odds are approximately 63 to 37 *on*.

MESSRS. LAYTON-BENNETT, BILLINGHAM & CO., Chartered Accountants, of 23 Blomfield Street, London, E.C.2, announce that Mr. PHILIP GORDON WALKER, F.C.A., retired from the partnership on 15th January, 1951, to take up the appointment of managing director of ALBERT E. REED & CO. LTD.

MR. A. E. COPE, F.A.C.C.A., announces that he is now in practice on his own account under the style of A. E. COPE & CO., at 2 Central Parade, Catford, S.E.6. Telephone: Hither Green 3254.

MESSRS. FORD, RHODES, WILLIAMS & CO., Chartered Accountants, of 4B Frederick's Place, Old Jewry, London, E.C.2, announce that as from 1st October, 1950, they have entered into partnership in Australia with Messrs. HASKINS & SELLS, U.S.A., and Messrs. HARRIS & HORNE, Australia, under the firm name of HARRIS, HORNE, HASKINS & SELLS. The practice will be carried on in Sydney, Melbourne, Adelaide and Brisbane.

Obituary

BERNARD COLLETT, F.C.A.

It is with regret that we record the sudden death of Mr. Bernard Collett, F.C.A., at his home in Harrow.

Mr. Collett, who was a partner in the firm of Thorne, Lancaster & Co., Chartered Accountants, of 1 Drapers' Gardens, London, E.C.2, was admitted an Associate of the Institute in 1903 and elected a Fellow in 1921.

He served in the Navy during the First World War, and on returning commenced in practice in Southampton Row, London, under the style of Bernard Collett & Co. In 1928 he amalgamated his practice with Thorne, Lancaster & Co., and remained a partner until his death on 5th January.

Mr. Collett was a Freemason, being past Assistant Grand Director of Ceremonies, Treasurer of Lodge of Unions No. 256, and a member of other Lodges and Chapters.

British Commerce, 1851-1951

Sir Frank Newson-Smith, Bart., will preside at a meeting of the Royal Society of Arts on Wednesday afternoon, 31st January, when Mr. A. de V. Leigh, M.B.E., M.A., Secretary of the London Chamber of Commerce, will speak on '1851-1951: a century of British commerce.' Applications for tickets of admission should be sent to the Secretary of the Society at John Adam Street, Adelphi, London, W.C.2.

Royal Commission on the Taxation of Profits and Income

The Royal Commission announce that they are prepared to receive representations from organisations or individuals on any matter falling within its terms of reference. These are as follows:

> 'To enquire into the present system of taxation of profits and income, including its incidence and effects, with particular reference to the taxation of business profits and the taxation of salaries and wages: to consider whether for the purposes of the national economy the present system is the best way of raising the required revenue from the taxation of profits and income, due regard being paid to the points of view of the taxpayer and of the Exchequer: to consider the present system of personal allowances, reliefs and rates of tax as a means of distributing the tax burden fairly among the individual members of the community; and to make recommendations consistent with maintaining the same total yield of the existing duties in relation to the national income.'

Representations should in the first place be in writing. The Commission will decide later from whom they wish to take oral evidence.

The Commission announce that they propose to consider in the first place (*a*) the general structure of the present system of taxation of profits and income, and its effects on the national economy, and any suggestions for alternative methods of raising revenue by taxes on profits and income; at a latter stage they will consider (*b*) particular matters arising in connection with income-tax, sur-tax and profits tax.

The Commission intend to begin taking oral evidence in the month of June on matters falling under the head (*a*). They therefore hope that the written evidence on these matters will reach them as soon as possible and in no case later than 15th May. Written evidence on matters under head (*b*) should be sent in by 1st December next.

Intending witnesses may confine themselves to one or more specific subjects within the terms of reference or may cover the whole subject in one or more memoranda. Evidence supplied to either of the two Committees presided over by Mr. J. Millard Tucker will be available to the Commission and need not be repeated. It will be helpful if those who intend to submit memoranda will so inform the Commission as soon as possible, and will say briefly what matters they propose to deal with, and when they hope to be ready to submit their memoranda.

All communications should be sent to Mr. E. R. Brookes, Secretary, Royal Commission on the Taxation of Profits and Income, Somerset House, London, W.C.2.

NOTES AND NOTICES

The Institute of Chartered Accountants in England and Wales

ROLL OF HONOUR, 1939–1945, DEDICATION SERVICE

A Roll of Honour, containing the names of 202 members of The Institute of Chartered Accountants in England and Wales and of 272 articled clerks who lost their lives in the war of 1939–45, will be dedicated by the Right Reverend the Lord Bishop of Stepney on Wednesday, 7th March, 1951, at 3 p.m., at St. Michael's Church, Cornhill, London, E.C.3. The service will be conducted by the Rector, the Reverend Prebendary G. F. Saywell.

After the service, tea will be served in the Oak Hall of the Institute and those attending the service are being asked if they would like to be present. A description of the Roll of Honour will be published in a later issue.

The following is a list of Associates elected to Fellowship and applicants admitted to membership at the Council meeting held on 3rd January, 1951, who completed their Fellowship or Membership before 16th January.

Associates elected Fellows

Antill, Frederick Ernest; 1936, A.C.A.; (*Kingdon, Marbeck, Antill & Co.), 14 St. Mary Abbot's Terrace, Kensington, London, W.14.

Bailey, Cyril John; 193[illegible], A.C.A.; (Holmes & Bailey), Orchard Chambers, Church Street, Sheffield, 1.

Baird, Thomas Herbert Mertens; 1934, A.C.A.; (Westcott, Maskall & Co.), 29 & 30 Broad Street Avenue, London, E.C.2.

Barnard, Tom; 1933, A.C.A.; (Thornton & Thornton), Nuffield House, 41-46 Piccadilly, London, W.1.

Blackburn, Tom Binks; 1932, A.C.A.; (Robert H. Marsh & Co.), 73 Ethelburga House, 91 & 93 Bishopsgate, London, E.C.2.

Cropp, Francis Howard; 1928, A.C.A.; (Baker, Sutton & Co.), Eldon Street House, Eldon Street, London, E.C.2.

Dewdney, Wilfred Ernest; 1932, A.C.A.; (Hudson Smith, Briggs & Co.), and (Stanley Holmes & Co.), Exchange Chambers, Corn Street, Bristol, 1; also at London, (Hudson Smith, Briggs & Co.).

Evans, Eric Bertram; 1924, A.C.A.; (Partridge & Co.), 125 Shaftesbury Avenue, London, W.C.2.

Foster, Henry Harris; 1905, A.C.A.; (H. H. Foster, Lea & Co.), 4 King Edwards Mansions, 212 Shaftesbury Avenue, London, W.C.2.

Frost, Reginald Stuart; 1931, A.C.A.; (R. S. Frost & Co.), 4A The Bridge, and Westminster Bank Chambers, Taunton.

Haigh, Ralph Aylwin; 1927, A.C.A.; (A. C. Palmer & Co.), Court Chambers, Friar Lane, Leicester.

Hayman, Alfred Graham Aldred; 1937, A.C.A.; (Leeds, Barlow & Co.), Stuart Chambers, 48-52 Stuart Street, Luton.

Howse, John Berkley; 1926, A.C.A.; (Norman Hunt, Howse & Co.), 15 Cromwell Road, South Kensington, London, S.W.7.

Martin, John Wyndham; 1939, A.C.A.; (Stammers, Martin, Williamson & Co.), Abford House, Wilton Road, London, S.W.1, and at Brighton.

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* placed against a firm name signifies that the firm is not exclusively composed of members of the Institute.

Paine, John Stuart; 1932, A.C.A.; (Baker, Sutton & Co.), Eldon Street House, Eldon Street, London, E.C.2.

Roberts, Albert John Mann; 1927, A.C.A.; (Baker, Sutton & Co.), Eldon Street House, Eldon Street, London, E.C.2.

Robinson, John Fletcher Wright; 1928, A.C.A.; (J. F. W. Robinson & Co.), Bank Chambers, Murray Road, Workington.

Saxelby, Walter; 1931, A.C.A.; (Butler, Viney & Childs), 60 St. Paul's Churchyard, London, E.C.4.

Tooke, Brian, M.A., LL.B.; 1933, A.C.A.; (Alfred Tooke & Co.), 10 Arthur Street, London, E.C.4.

Withnall, Graham; 1935, A.C.A.; (Foster & Stephens), 77 Harborne Road, Edgbaston, Birmingham, 15.

Womersley, Hugh; 1932, A.C.A.; 5 St. Mary's Road, Doncaster.

Wright, Lawrence Barringer; 1933, A.C.A.; (Robert H. Marsh & Co.), 73 Ethelburga House, 91 & 93 Bishopsgate, London, E.C.2.

(Not in England or Wales)

Bellhouse, Geoffrey Leader; 1928, A.C.A.; (*Barber, Bellhouse & Co.), P.O. Box 45, Nakuru, Kenya Colony, and at Nanyuki, Nyeri and Thomsons Falls.

Norman, Maurice Henry, M.B.E.; 1926, A.C.A.; (Josolyne, Miles & Co.), 3 Rue Scribe, Paris, and at London and Manchester.

Overbury, Oswald Leonard; 1920, A.C.A.; (Josolyne, Miles & Co.), 3 Rue Scribe, Paris, and at London and Manchester.

Admitted as Associates (Not in Practice)

Bland, Frederick Arthur, with Swales & Garnett, The Exchange, Bradford.

Coates, Michael Arthur, with Price Waterhouse & Co., 31 Mosley Street, Newcastle upon Tyne, 1.

Heritage, Dennis Francis, with *Peat, Marwick, Mitchell & Co., 11 Ironmonger Lane, London, E.C.2.

Hitchcock, Gerald, with W. J. Calder, Sons & Co., 90 Jermyn Street, London, S.W.1.

Smith, Ronald Arthur, with N. H. Stubbs & Co., High Holborn House, 52-54 High Holborn, London, W.C.1.

Personal

MESSRS. CLEMENTS, HAKIM & CO., Incorporated Accountants, of St. Paul's House, 61-63 St. Paul's Churchyard, London, E.C.4, announce that Mr. F. A. MAGEE, F.S.A.A., has resigned from the firm as from 1st January, 1951, and that he has acquired the Hayes, Middlesex, section of the practice of their firm, which was conducted from Western Chambers, Station Approach, Hayes, Middlesex. The remaining partners, Mr. G. J. HAKIM, F.S.A.A., and Mr. R. P. HEDLEY, F.S.A.A., are continuing the partnership under the same name as hitherto, and Mr. J. AGER, A.S.A.A., who has been with the firm since 1938, has joined them in partnership as from 1st January, 1951.

MESSRS. JOHN M. WINTER & SONS, Chartered Accountants, of 39 St. James's Street, London, S.W.1, announce that Mr. ROBERT COMBE FLETCHER, F.C.A., retired from the firm on 31st December, 1950. The practice will be continued by Mr. DOUGLAS WINTER, F.C.A., Mr. JACK DOUGLAS SHEPARD, F.C.A., and Mr. HAROLD EVANS, F.C.A., the title of the firm remaining unchanged.

him at the date of death remains in the house and has no other place of residence available, any increase in the market value above the pre-war value is disregarded in so far as it could only be realised by a sale with vacant possession. The valuation made on that basis would, however, be reviewed if the house were sold or let within a reasonable period of (say) two years after the death.

(*b*) In the case where a house to which the concession at (*a*) above has been applied is sold within two years of the death and the proceeds of sale are wholly utilised by the relative of the deceased in the purchase of another house for his own occupation, the basis of valuation at (*a*) is not disturbed. Where, however, the proceeds are only partly so utilised, the second house costing less than the amount realised on the sale of the first house, estate duty is charged on the proceeds subject to a deduction to the extent to which the purchase price of the second house is attributable to the premium for vacant possession.

9. Value Payments under the War Damage Act, 1943

Where the payment of duty on value payments under the War Damage Act, 1943, is postponed under the terms of Section 6 (3), Finance Act, 1894, the taxpayer is given the option of paying duty, either:

(*a*) on the statutory basis, viz. on the value at the deceased's death of the sum received, with interest on the duty from the date of death; or

(*b*) on the actual sum received, with interest on the duty from the date of receipt.

10. *Inter vivos* Gifts to Charities

Where, at the donor's death, there is no existing fund which has been and continues to be directly benefited by the gift, the claim to duty is not pursued against the charitable institution.

11. Settled Funds: Allowance for, or Repayment of, Legacy or Succession Duty

Section 29 of the Finance Act, 1949, provides that where estate duty (at the new consolidated rate imposed by that Act) becomes chargeable for the first time on settled property by reason of its passing on the death of the life tenant, an allowance for any legacy or succession duty already paid on the capital value of the settled property shall be given against the charge of estate duty. It is a condition of relief that the property has not previously passed on the death, after the commencement of the Act, of a person not competent to dispose. In practice, this condition is treated as satisfied where the only previous passing under the settlement after the commencement of the Act was one on the occasion of which no estate duty was payable.

12. Property Held in Joint Tenancy, &c.

Property which is so disposed of as to be enjoyed by persons in succession on death, although technically it may not be 'settled property' for estate duty purposes, is treated in the application of relieving sections as 'settled property' where it is to the interest of the taxpayer so to treat it, e.g. property held in joint tenancy, or a Scottish entailed estate to the extent to which a life rent is imposed upon it.

13. Reversionary Interests

Technically these are 'settled property', but in substance they are free estate in the reversioner and in the application of relieving sections they are, if it is to the interest of the taxpayer, so treated.

CORPORATION DUTY

1. Temperance Societies

Where the work of a temperance society is solely the propagation of temperance principles corporation duty is not claimed from it.

STAMP DUTIES

1. Stamp Allowance on Lost Documents

Allowance of the stamp duty on lost documents is made either by repayment, where replicas have been stamped, or by free stamping of the replicas.

2. Group Life and Pension Policies

Documents which assure to the members of a fluctuating body of unnamed persons (e.g. all the employees of a company) capital sums on death before retirement and/or pensions on retirement are assessed to stamp duty on the total at risk in one sum instead of on the individual amounts, no further duty being charged if a member withdraws without taking benefit and a new member enters in his place and takes a similar benefit.

3. Partial Release of Mortgage

The correct duty is 10s. deed duty, but *ad valorem* duty at 1s. per cent. is accepted if such duty be less than 10s.

4. Transfer and Reconveyance of Collateral Security

The correct duty is 1s. per cent. The practice is to limit the duty to 10s. if the transfer of the original security is duly stamped.

5. Cheques

The Stamp Act, 1891, exempts from stamp duty cheques used for pay and other purposes connected with H.M. Forces. The exemption is treated in practice as extending to cheques used for the purposes of Allied Forces in this country.

PROFITS TAX

1. Directors' Remuneration from Director-Controlled Companies

Rule 11, Fourth Schedule, Finance Act, 1937 (as amended by Section 45, Finance Act, 1947) provides that in the case of a director-controlled company the deduction to be allowed, in computing profits for profits tax purposes, in respect of the remuneration of the directors (other than whole-time service directors not owning or controlling more than 5 per cent. of the ordinary share capital) is to be restricted to £2,500 per annum or 15 per cent. of the profits, whichever is the greater, up to a maximum of £15,000 per annum. Where a company is director-controlled for part only of a chargeable accounting period any disallowance of directors' remuneration is restricted to so much of the excess remuneration for the full period as bears the same proportion to the whole amount of the excess as the period of control in the chargeable accounting period bears to the full period.

restrict the net income-tax liability to tax on the amount of profits or interest paid or credited to members having taxable income. The tax is calculated at the reduced rates on income accruing to members liable only at those rates.

34. 'Specially Authorised' Societies Registered under the Friendly Societies Acts

The income-tax exemption conferred by Section 39 (1), Income Tax Act, 1918, on a registered friendly society (i.e. a society registered under Section 8 (1) of the Friendly Societies Act, 1896) is also granted to a 'specially authorised' society registered under Section 8 (5) of that Act if the only object of the society which precludes registration as a registered friendly society under Section 8 (1) is the provision of 'provident benefits' within the meaning of Section 39 (2), Income Tax Act, 1918.

35. Registered Trade Unions

The exemption of registered trade unions under Section 39 (2), Income Tax Act, 1918, from income-tax under Schedules A, C and D in respect of interest and dividends applicable and applied solely for the purposes of provident benefits is in practice extended to rents. It is also extended to interest, dividends and rents of any year in so far as they are actually applied to provident benefits within that year (although not 'applicable solely' to such benefits).

SUR-TAX

1. Deduction for Mineral Rights Duty and Royalties Welfare Levy

Payments of mineral rights duty and royalties welfare levy are not allowable as deductions in computing total income for taxation purposes. For sur-tax purposes, however, for the years 1941-42 and onwards an individual whose income includes mineral rents and royalties is allowed a deduction, in computing his total income, in respect of mineral rights duty or royalties welfare levy borne by him on the rents, &c., receivable for that year. The deduction allowed in respect of mineral rights duty is 1s. in the £ of the gross mineral rents and royalties receivable (less any amount on which repayment of income-tax in respect of management expenses has been made under Section 26, Finance Act, 1922), an additional 1s. in the £ is allowed for any royalties welfare levy.

2. Administration of Estates: Deficiencies of Income Allowed Against Income of Another Year

Under Section 31, Finance Act, 1938, a person who has an absolute interest in the whole or part of the residue of the estate of a deceased person is treated, during the administration period, as entitled to the residuary income of the estate (i.e. the gross income less certain deductions, e.g. in respect of annuities payable) or to the appropriate proportion thereof. If for a particular year the deductions allowable are greater than the gross income of the estate, the excess is allowed as a deduction in computing the net income of the preceding or succeeding years.

ESTATE DUTY

1. Mourning

A reasonable amount for mourning for the family and servants is allowed as a funeral expense.

2. Duty Payable in Commonwealth Countries

Where no double taxation relief (under Section 20, Finance Act, 1894, or Section 54, Finance (No. 2) Act, 1945) is available in respect of duty payable in another part of the Commonwealth on property situated there, the duty is deducted from the capital value of the property in question in order to ascertain the value thereof chargeable with British estate duty. In strict law such a deduction is only admissible where the property is situated in a foreign country.

3. Roman Catholic Religious Communities

The property of Roman Catholic religious communities whose purposes are charitable is treated as trust property held for a charitable purpose even where there is no enforceable trust, with the result that estate duty is not claimed on the death of one of the nominal owners of the property.

4. Pensions, &c., to Police Widows and Dependants

Estate duty is not claimed on pensions and other payments made upon a policeman's death to his widow or dependants under the Police Pensions Act, 1921, or the Police Pensions Act, 1948.

5. Surrender or Discharge of Legal Rights in a Scottish Estate

Where a surviving spouse or child within five years before his or her death unconditionally surrenders or discharges certain legal rights in a Scottish estate (*jus relicti, jus relictae* or *legitim*), estate duty is not claimed, although it could be claimed under the provisions of Section 45 (2), Finance Act, 1940.

6. Special Contribution Attributable to Gifts *inter vivos*

Where a death occurs before the end of the year 1947-48, Section 64, Finance Act, 1948, provides for a measure of relief from special contribution in respect of assets on which death duties are payable. Where the death occurs after 1947-48, Section 64 affords no relief, but if by reason of such a death estate duty becomes payable in respect of a gift *inter vivos* and the income from the gift has been taken into account in an assessment to special contribution on the donee, the proportion of the special contribution attributable to such income is allowed as a deduction against the value of the gift for estate duty purposes.

7. Loans to the Treasury Free of Interest

Certain British Government securities are exempt from death duties so long as they are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom. In similar circumstances, exemption is allowed in respect of moneys loaned to the Treasury free of interest.

8. Valuation of House Owned and Occupied by the Deceased

The general rule of valuation of property for purposes of estate duty is to take the market value at the date of death.

(*a*) In the case, however, of a house owned and occupied by the deceased, where a near relative of the deceased who was ordinarily resident with

dom assessment for a later year to a figure in excess of the relative Dominion assessment, relief is allowed on the amount which would have been relieved if the refunded excess profits tax had not been payable. Similarly, where profits tax displaces excess profits tax as the effective charge, the relief is computed as though the profits tax alone had been deducted year by year.

25. Dominion Income Tax Relief under Section 27, Finance Act, 1920: Sur-tax Payer

The appropriate rate of a sur-tax payer comprises his income-tax appropriate rate for the year of claim plus his sur-tax appropriate rate for the year preceding the year of claim.

(*a*) If the taxpayer is resident in the United Kingdom for one year only, and his sur-tax appropriate rate for the previous year is nil, he is not entitled under the law to any relief in respect of sur-tax paid for the year of claim. In such circumstances, the sur-tax appropriate rate for the year of residence is added to the income-tax appropriate rate.

(*b*) Where a person is not liable to sur-tax for a particular year, his appropriate rate in that year is, in strictness, the appropriate rate for income-tax only, even though he may have paid sur-tax for the previous year. The appropriate rate for all years is, however, computed in practice as the sum of the appropriate rate of income-tax for the year of claim plus the appropriate rate of sur-tax for the preceding year.

26. Double Taxation Relief: Deduction of Unrelieved Oversea Tax

Where oversea tax is credited against United Kingdom tax under a double taxation agreement, any excess of oversea tax which cannot be so credited is deductible in computing the amount of the oversea income for income-tax and profits tax purposes. Where there are relevant distributions chargeable to profits tax at the higher rate, the effect of the deduction is ordinarily to increase the total tax liability, and, where this is so, no deduction is made for income-tax or profits tax purposes.

27. Double Taxation Relief: Non-resident Director of a United Kingdom Company

A director of a United Kingdom company is liable to income-tax under Schedule E on any fees voted to him. If resident abroad, he may also be charged to tax in the country of residence. For tax credit purposes, the source of the income is deemed under double taxation agreements to be in the country where the services are performed. If that country is also the country of residence, he can claim credit under the agreement neither in that country nor in the United Kingdom (paragraph 3 of Part I, Ninth Schedule, Finance Act, 1947). In practice, in these and comparable circumstances (e.g. civil servants recruited locally abroad) the United Kingdom gives credit for the oversea tax.

28. Double Taxation Relief: United Kingdom Branch of Non-resident Bank

Tax credit relief under double taxation agreements is available under the law only to persons who are resident in the United Kingdom. Where, however, the United Kingdom branch of a non-resident bank has in the past received Dominion income-tax relief on its investment income, but owing to the conclusion of a double taxation agreement such relief is no longer available, tax credit relief is given on the same income as though the bank were resident in the United Kingdom.

29. Bank Interest, &c., Received by Charities

The exemption from tax under Schedule D in Section 37 (1) (*b*) of the Income Tax Act, 1918, in favour of charities extends to yearly interest or other annual payments forming part of the income of a charity. In practice this exemption is extended to bank interest, whether yearly or not, received by charities and to discount on Treasury Bills held by charities.

30. Income of Roman Catholic Religious Communities or of their Members

The precise legal position as regards the title to such income, which is in fact treated by the community as belonging to the common fund, is often difficult to ascertain. In practice in the case of certain Orders (such as those engaged in charitable work among the poor) relief is given under the provisions relating to charities; in the case of the Contemplative Orders and other Orders which are not in law capable of being regarded as charities, a proportion of the aggregate income not exceeding £50 per monk or nun (as representing the amount applied for the maintenance of each individual) is regarded as his or her income for the purpose of relief from tax.

31. Building Societies

Building societies may enter into a special income-tax arrangement, of which the main features are as follows:

(*a*) The society accounts on a conventional basis for income-tax in respect of the dividends and interest credited to its investors.

(*b*) Dividends and interest are credited without deduction of tax, and are not subject to tax at the standard rate (but are subject to sur-tax) in the investor's hands.

(*c*) Interest is paid by borrowers without deduction of tax, and borrowers are relieved of the tax applicable thereto, the tax being charged on the society.

32. Loan and Money Societies

A loan or money society is granted such relief as will restrict the net income-tax liability to tax on the amount of dividends and interest paid or credited to members or depositors having taxable income, less, as regards members, an appropriate deduction for management expenses contributed by them. The tax is calculated at the reduced rates on dividends and interest accruing to members and depositors who are liable only at the reduced rates.

33. Holiday Clubs and Thrift Funds

Clubs formed annually for the purpose of providing facilities for saving towards holidays are allowed such relief as will restrict the net income-tax liability to tax on the proportion of liable income applicable to members having taxable income. Similarly, in the case of a thrift fund the relief allowable is such as will

FINANCE AND COMMERCE

Stock markets continue active. Commodity and selected industrial issues attract sustained demand.

Properties Revalued

We reprint this week the balance sheet of Howards (Newcastle) Ltd. which owns a departmental stores business. These accounts embody a new valuation for the fixed assets which, to see in its full setting, requires that we should go back a few months to an invitation made to shareholders to offer to sell their 4s. shares at 6s. 6d. each to the London Commercial Investment Co. The prospective buyers reserved the right to accept offers either in whole or in part, or not at all. The offer was made on 17th May when latest Stock Exchange dealings had been in the region of 4s. The company's directors advised against acceptance.

The invitation was adversely criticised in the *Financial Times* which in the first place thought it unsatisfactory that holders should be giving away what amounted to a free option on their shares for several weeks. It was further calculated that on the basis of net tangible assets of about £92,000 to cover £70,000 of ordinary capital, the shares had a break-up value of about 5s. 3d. which, while less than the price offered, was based on the values of 1936 when the company was formed. Under the circumstances, it was suggested, there was an obligation on the board to have the properties revalued.

Explanation

The balance sheet changes, the chairman said at the annual meeting, called for some explanation. The directors, he said, had been well aware that the freeholds were worth considerably more than the accounts had shown, based as they were on 1936 values. He pointed out that shareholders had been advised of this at various times and that the matter had been commented on by the financial Press.

Accordingly, chartered surveyors were instructed to make a complete valuation, as a result of which, book values of the freeholds were increased by £28,279 from £64,971 to £93,250. The figures were on a market value basis and contained no goodwill element. The subsidiary's freeholds were increased by £10,562. The surplus on revaluation has been taken to capital reserve. The present balance sheet has also been affected by a purchase of properties during the year for offices, warehouse and garage.

Apparently, a third of the ordinary capital was offered for sale at 6s. 6d. in response to the invitation, and was accepted. Whether those who sold would have been influenced to have retained their holdings had the balance sheet shown a current value for properties, or, incidentally, had they known that the dividend would be raised this year from 5 to 7½ per cent., is one of those unknowable things. We do feel, however, that there is much to be said, where balance sheets are based on pre-war pounds, for insertion of the figure at which the directors see fit to insure the properties.

Inflation on Inflation

Purchase tax, inflationary from its inception, is now recognised to be piling inflation on inflation. Sir William Rootes, chairman of Rootes Motors Ltd., referred at the first meeting as a public company to 'higher purchase tax chasing rising costs, and rising costs, in their turn, chasing higher purchase tax, like a bee-swarm rising out of sight'.

Mr. H. J. Benedictus, A.C.A., chairman of Lilywhites Ltd., the well-known store company, emphasised the same point. Every rise in the price of manufactured goods, he says in his statement with the accounts, involves a corresponding rise in the tax payable so that the increased cost is considerably inflated by the time the article reaches the public. Admittedly, utility goods were untaxed but the result was to create a large discrepancy between utility and non-utility prices which could not fail, in time, to discourage production of high-grade goods for which the company had a world-wide reputation.

From the retailer's point of view, Mr. Benedictus continued, large sums were locked up in purchase tax on stocks which could produce no profit and might involve substantial loss. No buyer could always be right in his judgment, and if an article had to be reduced in price because it failed to sell readily, the retailer bore tax himself.

The Company Pays

Mr. Lewin E. Parsons, F.C.A., chairman of A. Jones & Sons, Bootmakers, Ltd., draws the attention of shareholders to the inclusion in profits of a sum of £7,500 transferred from stock reserve 'to compensate for purchase tax paid to the Government and not recovered from customers'.

Mr. Parsons points out that the Board of Trade made an order on 25th May raising the maximum price chargeable for utility shoes, which had the effect of bringing a substantial number of better quality shoes held in stock on which purchase tax had been paid within the utility range and therefore free of purchase tax.

The Board, he states, decided it would be an unwise policy to endeavour to sell these stocks at the inflated prices, particularly as a reserve for such a contingency had already been created. Prices were therefore reduced to exclude purchase tax and the £7,500 was transferred to profit and loss account.

Money Market

Applications for Treasury bills totalled £319,355,000 on 12th January, and the market obtained a 60 per cent. allotment. The average rate was 10s. 2.75d. per cent. There is no deposit receipt call this week.

HOWARDS (NEWCASTLE) LIMITED

Balance Sheet as at 31st July, 1950

Howards (Newcastle) Ltd. and its Subsidiary Company, Consolidated Balance Sheet as at 31st July, 1950

1949 Consolidated Account £	1949 £	CAPITAL AND LIABILITIES	Authorised £	Issued £	Consolidated Account £
		Capital and Reserves:			
		Share Capital—			
		140,000 6 per cent. Cumulative Preference Shares of 10s. each fully paid	70,000	70,000	70,000
		350,000 Ordinary Shares of 4s. each fully paid	70,000	70,000	70,000
140,000	140,000			140,000	140,000
		Reserves and Surplus—			
736	—	Capital Reserve Account (see Note 1)	30,702		42,000
15,000	12,000	General Reserve	15,000		18,000
192	192	Accrued Preference Dividend—Net	193		193
6,263	4,971	Profit and Loss Account—Balance unappropriated ..	5,399		7,106
				51,294	
162,191	157,163	Total of Capital and Reserves		191,294	207,299
18,348	16,592	Reserve for Future Income Tax		17,131	18,515
		Deferred Liabilities:			
3,162	—	Mortgage on Freehold Property at Morpeth		—	2,909
—	—	Mortgage on Freehold Property at Pitt Street, Newcastle upon Tyne		—	9,717
2,478	2,478	Employees' Trust Account		2,657	2,657
5,640	2,478				15,283
		Current Liabilities:			
25,938	24,597	Trade Creditors and Accrued Charges	23,348		25,030
11,641	11,641	Amount due to Bankers	11,013		11,013
7,718	7,388	Provision for Accrued Taxation	8,690		9,073
251	251	Unclaimed Dividends	220		220
1,925	1,925	Proposed Dividend on Ordinary Shares—Net (Subject to confirmation by Shareholders) ..	2,888		2,888
47,473	45,802	Total of Current Liabilities		46,159	48,224
£233,652	£222,035			£257,241	£289,321

T. M. HARBOTTLE
R. FORTUNE
C. R. GRAY } *Directors*

Note 1.—The Capital Reserve is made up of:

	£	£
Surplus on valuation of Freehold Properties ..	28,279	
Miscellaneous receipts on Capital Account ..	1,921	
Transfer from Profit and Loss Account ..	502	
	30,702	
Add Surplus on valuation of Subsidiary Company's Freehold Properties		10,562
Capital Reserve at 31st July, 1949		736
	11,298	
	£42,000	

1949 Consolidated Account £	1949 £	ASSETS	£	£	Consolidated Account £	Consolidated Account £
		Fixed Assets:				
77,709	64,971	Freehold Properties at Newcastle upon Tyne, North Shields and South Shields, per valuation 31st July, 1950 (see Note 2) ..		93,250		130,750
		Fixtures, Fittings and Alterations at cost less depreciation:				
		Cost of acquisition	26,303		29,443	
11,249	10,465	*Less* Aggregate depreciation written off to date	15,861	10,442	17,741	11,702
		Motor Vehicles at cost less depreciation:				
		Cost of acquisition	2,205		2,205	
		Less Aggregate depreciation written off to date	1,915		1,915	
580	580			290		290
89,538	76,016	Total of Fixed Assets		103,982		142,742
4,478	4,478	Investment for benefit of Employees under Deed of Trust		4,657		4,657
		Subsidiary Company:				
	6,500	Shares (unquoted) at cost	6,500			
	5,668	Current Account	10,866			
	12,168			17,366		—
		Current Assets:				
69,228	59,840	Stock on hand as certified by the Company's Officials	61,802		70,977	
62,123	61,837	Sundry Debtors and Payments in Advance, *less* Reserve for bad and doubtful Debts and Collection	60,376		60,917	
6,732	6,732	Hire Purchase Accounts *less* Reserves ..	8,524		8,524	
1,553	964	Cash at Bank and in hand	534		1,504	
139,636	129,373	Total of Current Assets		131,236		141,922
£233,652	£222,035			£257,241		£289,321

Note 2.—The valuation of the Freehold Properties of the Company and its Subsidiary at 31st July, 1950, was made by Messrs. Sanderson, Townend & Gilbert, Chartered Surveyors, Newcastle upon Tyne, and amounted to £130,750

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication.
The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Income Tax Assessments: Time for Appeal

SIR,—I should like to support the plea of your correspondent Mr. F. G. Johnson (issue 13th January), for an extension of the time allowed to appeal against income-tax assessments. In fact, I am of the opinion that a period approaching eight weeks would be a more reasonable one under existing circumstances.

The assessment notices are usually issued at the end of November or beginning of December, i.e. just at the time when the small business man (and he is the one most usually affected) is becoming increasingly busy with his preparation for the Christmas trade. In consequence all other matters (not excepting income-tax) are put into the background for a few weeks. Then usually when the time limit has expired the taxpayer brings an unopened envelope along to his accountant who is left to plead extenuating circumstances with the Inspector. If, however, the month of January were available for such appeals I feel it would give the small trader a much more reasonable opportunity to deal with his affairs.

Yours faithfully,

Southsea. F. BARTER.

Receiverships: Companies Act, 1948

SIR,—None of us has so far had a great deal of experience in receiverships as affected by the Companies Act, 1948, and the following information as regarding responsibilities of receivers under Section 372, I believe not being generally known, may be of interest to practitioners.

The documents required by the Registrar of Companies are as follows:

(1) A complete copy of the statement of affairs as submitted by the company

In view of the fact that this document is frequently voluminous with long lists of particulars of debtors and creditors, it is found to be helpful if the company is asked to supply the statement and the schedules in duplicate.

(2) The receiver's comments, if he chooses to make any, on the above statement.

There appears to be no prescribed form for this document.

The above two documents are filed by the Registrar of Companies in a private file which is not open to inspection by the public without the express permission of the receiver.

(3) The summary prepared by the receiver of the company's statement of affairs, and there appears to be no prescribed form for this document.

(4) If the receiver has made any comments on the statement, a summary of those comments, or, alternatively, a second copy of the original comments.

The last two items are placed by the Registrar on the company's file and are therefore open to public inspection.

I understand the Registrar takes the view that the receiver should demand the submission to him of the statement of affairs, and if he is unable to obtain it within a reasonable time, it is the duty of the receiver to report the matter to the Registrar of Companies and furnish evidence that he has called for such statement without success.

Your obedient servant,

London, E.C.2. S. R. HOGG.

Saving Time and Paper

SIR,—I was very interested in Mr. Darroch's letter published in your 6th January issue.

The practice in this local authority regarding accounts and their payment is as follows:

A standard form of order is in use by all departments. Traders' invoices are received and after being certified for payment by the ordering department are forwarded to the treasurer. Here they are collated and summarised under the name of the creditor and submitted for finance committee and council approval before payment.

Each creditor gets one cheque each month accompanied by an advice slip summarising his invoices (no matter how many) under his own quoted references. Not even these advices are specially prepared but are a by-product of a carbon-backed form used to summarise the invoices of each trader for committee and council. These summaries, together with the certified invoices attached and filed alphabetically constitute the only detailed creditors' accounts kept.

On the back of the cheque is a printed form of receipt and the practice which firms using an official form of receipt adopt is to attach this to the cheque; thus, addressing, handling and postage charges are saved, with benefit to both debtor and creditor.

Some councils require accounts for payment to be submitted to the spending committees prior to their being approved by the finance committee, and this complicates matters somewhat. Knowing, however, that my professional colleagues have 'organisation and method' well in mind, I should be greatly surprised to find that the system outlined or some suitable variant is not in operation in the majority of local authority finance departments.

Yours faithfully,

Town Hall, A. PITT, A.I.M.T.A.,
Friern Barnet, *Treasurer*, FRIERN BARNET
N.11. URBAN DISTRICT COUNCIL.

INLAND REVENUE
EXTRA-STATUTORY CONCESSIONS
In Operation at 31st December, 1949

We reproduce below, with permission of the Controller of H.M. Stationery Office, the appendix to the ninety-third report of the Commissioners of Inland Revenue for the year ended 31st March, 1950 (Cmd. 8103), mentioned elsewhere in this issue. The concessions described below are of general application, but it must be borne in mind that in a particular case there may be special circumstances which will require to be taken into account in considering the application of the concession.

INCOME TAX

1. Agricultural Depression

Relief from tax under Schedule A is granted in respect of remissions of rent of farm land on account of agricultural depression.

2. Unoccupied Land

Relief from income-tax, Schedules A and B, is allowed on waste and unenclosed land, and on agricultural land which the owner is unable to let or farm himself.

3. Lost Rent

Relief from income-tax, Schedule A, is allowed in respect of rent which is wholly and irrecoverably lost or waived owing to the bad financial circumstances or absconding of the tenant. (In Northern Ireland the relief is statutory.)

4. Unworked Mills and Factories

Relief from income-tax, Schedule A, is allowed under the head of 'empty property' where mills or factories are unworked, notwithstanding that they contain machinery and that the machinery is turned occasionally for the prevention of rust.

5. Maintenance of Property

Rule 8 of No. V of Schedule A, Income Tax Act, 1918, provides that, if the owner of land or houses proves that the cost to him of maintenance, repairs, insurance and management, on the average of the five years preceding the year of claim, exceeds the flat-rate repairs allowance for that year, he can claim repayment of the Schedule A tax on the property up to the amount of tax on the excess. The following relaxations are allowed:

(*a*) Where the claimant owns both lands and houses, the claim may be based on aggregate expenditure on lands and houses taken together, irrespective of the actual separate expenditure on each of the two classes of property.

(*b*) Where a new owner is unable to obtain details of previous owners' maintenance expenditure, a claim is admitted on the basis of his actual expenditure in the year of claim (provided that the expenditure is not exceptionally heavy) until a five years' average is available, if the claimant undertakes to accept the 'actual year' basis for five complete years.

(*c*) The estimated cost of repairs obviated by alterations is allowed, provided the alterations have not created a new subject of assessment.

(*d*) Where plant or machinery is employed for property maintenance, the actual expenditure on renewals of the plant or machinery as and when incurred qualifies for inclusion in a maintenance claim. As an alternative to this basis of claim, however, the claimant may charge, in place of the actual outlay on renewals, the normal allowances for initial allowances, wear and tear, &c., which would be due under the Income Tax Act, 1945, if the plant or machinery were employed in a trade or business.

6. Business Passing on the Death of a Trader

The death of a trader and the consequent passing of his business to his successor is an occasion for the application of the discontinuance provisions of the Income Tax Acts. Where, however, a business passes on death to the trader's husband or wife who has been living with her or him, the discontinuance provisions are not enforced unless claimed. But, in any case, losses and capital allowances for which the deceased had not obtained relief are not permitted to be carried forward.

7. Partnership Changes

Under Rule 11 of the Rules applicable to Cases I and II of Schedule D, Income Tax Act, 1918, the introduction or withdrawal of a partner may, at the partnership's option, be made the occasion for the application of the discontinuance provisions of the Income Tax Acts. Where there are two successive changes of partnership in respect of only the second of which the discontinuance option is exercised, an additional assessment for the penultimate year of assessment can only be made on the partnership as constituted at the time of the second change, and in respect of the period during which the partnership, as so constituted, carried on the business.

In such cases, the additional liability of a partner who was carrying on the trade for an earlier part of the year than that to which the additional assessment extends, is restricted so that his total liability for the year does not exceed his share of the actual profits of the year, or his share for the whole year of the original assessment, whichever is the greater.

8. Machinery or Plant: Changes from a 'Renewals' to a 'Wear and Tear' Basis

Expenditure on machinery or plant which has been the subject of a 'renewals' deduction does not technically qualify as capital expenditure for the purpose of annual 'wear and tear' allowances or balancing allowances. (Section 64 (1) (*a*), Income Tax Act, 1945.) Taxpayers

who change from a 'renewals' to a 'wear and tear' basis are, however, permitted to claim such allowances as if the expenditure did so qualify.

9. Stolen Machinery or Plant: Balancing Allowances

Balancing allowances are given in respect of the loss of machinery or plant by theft.

10. Relief in Respect of Losses

Under Section 34 of the Income Tax Act, 1918, relief in respect of a loss in any trade, &c., may be given against any income of the trader chargeable for the year for which the loss was incurred, i.e. against the trader's income from other sources or against the assessment on the profits of the trade based on the profits of the preceding year.

Capital allowances in respect of machinery or plant, industrial buildings, &c., rank in law as deductions from the assessment and not as deductions in computing the profit or loss. Such allowances due for the year of claim are, however, permitted to be deducted in computing a loss for the purposes of relief under Section 34, to the extent that they have not been allowed in the assessment for that year and subject to an undertaking being given by the claimant to regard such a deduction as constituting effective relief for the allowances for all tax purposes.

11. Management Expenses

Under Section 33 of the Income Tax Act, 1918, life assurance companies, &c., which are charged to tax on interest, &c., by deduction or otherwise, and not on profits under Case I of Schedule D, are entitled to claim repayment of tax on management expenses.

The initial and annual depreciation allowances which would be given under the provisions of the Income Tax Acts on office machinery and motor-cars used for trade purposes, if the trade were assessed under Case I of Schedule D, are treated as management expenses for the purposes of a claim under Section 33. Similarly, the net annual value of premises owned and occupied for trade purposes is also treated as management expenses.

12. Flat Rate Allowances for Cost of Tools and Special Clothing

An employee who has to bear the cost of providing tools or special clothing necessary for his work is entitled, under Rule 9 of Schedule E, to an allowance for the expenditure incurred. For most classes of trade flat-rate allowances have been agreed with the trade unions concerned, and these allowances are given without enquiry as to the expenditure actually incurred in the individual case. The existence of a flat-rate allowance does not, however, debar an individual employee from claiming as a deduction the actual expenses he has incurred.

13. Christmas Presents in Kind to Employees

Christmas presents in kind given by an employer to his subordinate employees are not treated as taxable remuneration, and this treatment has been extended to the presentation of Savings Certificates or Savings Stamps and deposits in the Post Office or Trustee Savings Banks in lieu of such presents.

14. Miners: Allowances in Lieu of Free Coal

Income-tax is not charged on cash payments received by miners from their employers in lieu of the free coal which they have been entitled to receive by virtue of their employment.

15. Pensions to Police Officers and Firemen

The amount by which the special pension awarded on retirement through disablement from injury on duty (or from war wounds) exceeds the pension which would have been awarded if retirement had been on ill-health grounds is not treated as income for income-tax purposes. Similarly, a disability pension awarded in addition to a retirement pension is not treated as income.

16. Children of War Widows

(*a*) The exemption from income-tax given by Section 27, Finance Act, 1922, to payments made by the Ministry of Pensions to widows of members of the Forces in respect of their children is applied to similar payments in respect of children made to 'unmarried wives', and also to similar payments in respect of children made to widows and 'unmarried wives' of members of the Mercantile Marine and to widows of civilians who have died from war injuries.

(*b*) The same exemption is also applied to similar payments in respect of children which are made to war widows (or 'unmarried wives') by Commonwealth governments.

17. Directors' Travelling Expenses: Part IV, Finance Act, 1948

The general rule is that the cost to a taxpayer of travelling to and from his place of business is not allowable as a deduction in computing his tax liability; consequently, the full amount of an allowance paid by a company to a director or senior employee in respect of such expenses is chargeable to tax under Part IV, Finance Act, 1948. The rule is modified in the following types of case:

(i) A director (whether whole- or part-time) of two or more companies within a group of parent and subsidiary or associated companies, whether or not entitled to separate remuneration from each of the companies of which he is a director, is regarded as having one place at which he normally acts as a director of companies within the group, and as entitled to a deduction (or a dispensation from assessment under Section 42, Finance Act, 1948) for expenses necessarily incurred in travelling from that place to other places on the business of the group in the course of his duties as a director. The same principle is applied to an individual who is an employee of one company and a director of another company within the same group of companies. (By 'associated company' is meant a company on whose board the group is represented because of the group's shareholding or other financial interest.)

(ii) A director who gives his services without remuneration to a company not managed with a view to dividends (e.g. a company owning a hall or sports ground, or running a club) is not treated as assessable in respect of any travelling expenses paid to him.

(iii) Where a directorship is held as part of a professional practice (and not, for example, because of some direct or indirect financial interest in the company), expenses incurred by the director in carrying out his duties are allowable as deductions in assessing the profits of the practice under Schedule D, whether the practice is carried on alone or in partnership. Reasonable expenses paid to the director by the company are accordingly not assessed upon the director under Schedule E, provided no claim is made to a deduction under Schedule D.

'Travelling expenses' includes in all cases reasonable hotel expenses necessarily incurred.

18. Expenses Allowances and Benefits in Kind: Part IV, Finance Act, 1948

Under Part IV of the Finance Act, 1948, expenses allowances and benefits in kind received by directors and (with certain exceptions) by senior employees are assessable to tax as emoluments of the director or employee, subject to a deduction for expenses incurred which satisfy the conditions laid down in Rule 9 of Schedule E. The following relaxations are made in practice:

(*a*) No assessment is made in respect of removal expenses borne by the employer where the employee has to change his residence as a result of transfer to another post within the organisation, provided that the expenses are reasonable in amount and their payment is properly controlled. 'Removal expenses' includes such related items as a temporary subsistence allowance while the employee is looking for accommodation at the new station.

(*b*) Where the benefit assessable consists of a rent-free house, the director or employee is chargeable on the annual value (or the rent paid by the employer) and on expenses borne by the employer, such as rates. The amounts charged on the employee are restricted in the case of a patently old-fashioned and too large house.

(*c*) Under Section 39 (3), Finance Act, 1948, living accommodation provided for an employee (as distinct from a director) in part of the employer's business premises is exempt from charge under Part IV where certain conditions are satisfied. In practice the exemption is also allowed in the case of a full-time director of a company whose beneficial shareholding does not exceed 5 per cent. of the ordinary share capital, unless his emoluments (including the value of benefits within the scope of Part IV) exceed £2,000.

19. Dependent Relative Allowance

Where a dependent relative (within the meaning of Section 22 of the Finance Act, 1920) does not reside with the claimant and receives from him less than £50 per annum, a deduction is allowed of the actual amount of the contribution, though in strictness the requirement that the relative should be 'maintained' by the claimant is not fulfilled. Where contributions are made by two or more persons, though not amounting to £50 in all, a deduction is allowed to each of his actual contribution.

20. Members' Contributions to Trade Unions

So much of a member's contribution to a trade union (whether registered or not) as is allocated to superannuation benefits, in addition to any portion allocated to funeral benefits or life assurance, is treated as qualifying for life assurance relief.

21. Residence in the United Kingdom: Year of Commencement or Cessation of Permanent Residence

For the income-tax year in which a person comes to the United Kingdom to take up permanent residence his income from abroad is not assessed on the basis of the income for a full income-tax year, but is computed by reference to the period of his residence here during the year. A similar practice is adopted for he income-tax year in which a person ceases to reside in this country if he has left here for permanent residence abroad. (This concession does not apply to changes of permanent residence between the United Kingdom and the Irish Republic.)

22. Minors and Contingent Interests

Section 21 (3), Finance Act, 1936, provides, in general, that sums paid under an irrevocable settlement of capital to a child of the settlor, being a child who is an infant and unmarried at the commencement of the year of assessment in which the sum is paid, are to be treated for income-tax and sur-tax purposes as income of the settlor and not of the child. Sums which have been accumulated under such a settlement contingently on the child attaining the age of twenty-one or marrying and which are handed to the child on the happening of either contingency are not treated as caught by the subsection.

23. Interest, &c., Paid Otherwise than Out of Taxed Income: General Rule 21, Income Tax Act, 1918

Under Rule 21, tax deducted from interest, annual payments, &c., paid otherwise than out of taxed income has to be paid over to the Revenue.

Where interest, &c., is so paid in a later year than the due year, but in the due year could have been paid wholly or partly out of taxed income, an allowance is made, in fixing the amount to be paid over under Rule 21, for the tax which the payer would have been entitled (under General Rule 19) to deduct and retain if the interest, &c., had been paid at the due date.

If hardship would otherwise be caused, a similar allowance is made in the case of a trust or other non-trading institution paying interest, &c., at the due date out of the taxed income of past years.

24. Dominion Income Tax Relief under Section 27, Finance Act, 1920: Effect of Excess Profits Tax

If the United Kingdom income-tax assessment for any year differs in amount from the corresponding Dominion assessment, Dominion income-tax relief is allowable under the law only on the lower of the two assessments. In practice, however, where the United Kingdom assessment for a particular year is reduced below the corresponding Dominion assessment by the deduction of United Kingdom excess profits tax, and that excess profits tax is subsequently repaid on account of a later deficiency, thus increasing the United King-

FINANCE AND COMMERCE

The continued rise in commodity and industrial equity values on the London Stock Market reflects, it must be concluded, the investment opinion that current political and economic events will inevitably be translated into inflationary pressure on prices, profits and dividends. The other side of the picture, the probability of heavier taxation and the possible disruption of industrial production through raw material shortages, is either ignored or considered likely to be less effective than some operators may now fear. With leading insurance companies joining in the escape from dividend limitation the prospect of higher industrial company dividends generally may seem brighter. But while the Budget remains an unknown quantity the need for caution and selectivity in investment must persist to check any runaway in equity values.

In contrast to the strength of the equity markets gilt-edged stocks have developed an uncertain trend. This would not be unusual under such inflationary conditions were it not for the fact that next month the Treasury is committed to the issue of steel compensation stock. There has, as yet, been no obvious preparation of the market for that event.

Guinness

An important point in the accounts of Arthur Guinness, Son & Co Ltd, reprinted this week, is the transfer of a general reserve previously shown as a revenue reserve to capital. It is the directors' retort to the refusal of the Capital Issues Committee to sanction the issue of a capital bonus.

Lord Iveagh, the chairman, in his statement with the accounts, recalls that 'in the autumn of 1949, the directors, considering that the capital employed in the business was not clearly represented in the balance sheet, approached the Capital Issues Committee for permission to capitalize £5 million of reserve by the issue of scrip bonus of £2 ordinary stock for every £3 ordinary stock already held'. Such action, as Lord Iveagh said, involved no fresh raising of capital and implied no increase in dividend. It simply recognized that a large amount of profits in past years has been invested in the business instead of being distributed. The Capital Issues Committee decided that the circumstances of the case did not warrant the granting of permission.

But the facts are inescapable, Lord Iveagh continues, and with a view to expressing the capital structure more correctly, the directors decided to re-form the reserve position as shown in Note 6. The balance sheet, he says, now shows the new general reserve of £7 million to be 'an inalienable part of your company's capital structure'.

'Difficult to Understand'

'It is difficult for the ordinary business man to understand the logic or the justice of the Capital Issues Committee's decision', Lord Iveagh says. For 'difficult' we would write 'impossible'. The whole thing adds up to one grand total of nonsense. Consider, for instance, one point alone which the Capital Issues Committee is instructed to take into account in making its decisions: the question whether a scrip bonus will assist a company's export trade. As if any capitalization of reserves for a share issue could affect exports!

Yet some directors have been quick to seize on the point as the all-important factor in presenting their applications. Prospective overseas customers, they have maintained, are more inclined to deal with a company having an imposing capital figure and judge form accordingly. A capital bonus would therefore be good for exports – and the stratagem seems to work.

Maybe also, an element of humility in the application, an attitude of not taking all for granted, has some influence. At any rate, a recently granted permission to Blackwood Morton & Co Ltd for a four for one scrip bonus was preceded by an announce-

ARTHUR GUINNESS, SON & COMPANY LIMITED

PARENT COMPANY'S BALANCE SHEET

6. The following table shows the movements in certain Reserve Accounts:

	Capital Reserve	Revenue Reserves			
	General Reserve	General Reserve	Contingencies Reserve	Reserve for Future Taxation	Income Tax Initial Allowances Reserve
	£	£	£	£	£
Balance, September 30th, 1949		3,850,000	2,437,000	1,111,626	
Re-allocation of Reserves	6,287,000	*3,850,000*	*2,437,000*	*77,000*	77,000
Transfers from Profit and Loss Account	713,000		400,000	1,745,715	66,000
Transfer from Excess Profits Tax Account ..				34,667	
Transfer to Profit and Loss Account				*687,690*	
Transfer to Current Liabilities				*872,568*	
Balance, September 30th, 1950	£7,000,000	—	£400,000	£1,254,750	£143,000

ment from the chairman to shareholders that the directors had not much hope of getting it.

A New Gremlin

A clerical error in a company's published accounts is most exceptional. To see two in three days seemed more than remarkable. Three in five days, including the New Year week-end, made us think that some gremlin might have discovered a new way of plaguing mankind. It seemed to us due time that our readers were warned against these evil machinations by a short account of the form they are taking.

The gremlin that visited Foster Clark Ltd caused an understatement of the profit and loss account debit for depreciation and of the first item on the credit side, 'Profit on trading before charging items opposite'. An erratum stuck to the account explains that depreciation should read £15,439 instead of £13,798 and the profit £82,711 instead of £81,070. It will be seen, the erratum says, that these are compensating errors arising from an understatement of depreciation actually charged in the accounts. The profit for the year of £94,307 is not affected.

In the case of Brand & Co Ltd, the rascally gremlin transposed the stock figure of £168,074 as £168,704 but left the current assets total unharmed at £394,949. In Madame Tussauds Ltd, he stole £80,000 and made the cash balance £6,257 instead of £86,257. In this case also leaving current assets unharmed at £191,028.

These visitations from the world of darkness fill us with foreboding. What opportunities for wickedness our weekly reprint of company accounts offers to the evil spirits. May we be preserved from error, but should any foul deed be committed, we hope readers will at once bring it to our attention. It seems a feature of these visits that the sufferer is left in ignorance until the error is published to the world.

Money Market

Treasury bill applications totalled £321,335,000 on January 19th, an increase of a little under £2 million on the previous week. The allotment basis was maintained at 60 per cent and the average discount rate was 10*s* 2·79*d* per cent against 10*s* 2·75*d* per cent. This week's offer is increased to £240 million and there is no Treasury deposit receipt call against maturities of £25 million.

ARTHUR GUINNESS, SON AND COMPANY LIMITED Balance Sheet at September 30th, 1950

1949 £		£	£	£
	Capital and Reserves			
	Capital – Authorized and Issued:			
2,000,000	6 per cent Preference Stock	2,000,000		
7,500,000	Ordinary Stock	7,500,000		
9,500,000			9,500,000	
	Capital Reserves (see Note 6, page 14)			
—	General Reserve	7,000,000		
892,431	Excess Profits Tax Post-war Refund	892,475		
74,626	Surplus on Sale of Fixed Assets	75,457		
967,057			7,967,932	
	Revenue Reserves (see Notes 6 and 7, page 14)			
3,850,000	General Reserve	—		
2,437,000	Contingencies Reserve	400,000		
1,111,626	Reserve for Future Taxation	1,254,750		
—	Income Tax Initial Allowances Reserve	143,000		
13,837	Sundry Reserves	21,354		
870,332	Profit and Loss Account	378,542		
8,282,795			2,197,646	
18,749,852				19,665,578
	Provisions			
245,000	Provision towards Pension Fund	417,000		
204,986	Provision for Uninsured Risks and Other Provisions	195,210		
449,986			612,210	
	Current Liabilities			
	Trade Creditors and other Current Liabilities			
5,787,300	including Taxation (see Note 7, page 14)	5,090,427		
860,470	Amounts on Deposit	977,170		
18,149	Unclaimed Dividends	19,883		
775,500	Second Interim Dividends (*less* Income Tax) ..	899,250		
7,441,419			6,986,730	
7,891,405				7,598,940
£26,641,257				£27,264,518

1949 £		£ Cost	£ Depreciation Provisions	£ Net
	Fixed Assets			
	Freehold and Leasehold Premises, Fixed Plant and Machinery, Goodwill and Trade Marks at Original Cost on Purchase in 1886, *plus* Additions, *less*			
8,739,845	Removals	12,315,745	2,954,984	9,360,761
304,848	Movable Plant and Machinery	661,125	321,192	339,933
647,799	Casks	1,525,059	745,930	779,129
9,692,492		14,501,929	4,022,106	10,479,823
	Subsidiary Companies			
379,558	Shares at Cost		403,989	
892,223	Amounts owing by Subsidiary Companies		1,287,370	
1,271,781				1,691,359
72,500	**Trade Investments at Cost**			86,100
	Current Assets			
	Stocks of Stout, Brewing Materials, Cask Materials and			
4,953,879	Sundry Stores		4,446,321	
	Trade and Sundry Debtors and Prepayments after			
3,640,974	Provision for Discount and Doubtful Debts ..		3,872,415	
	Investments at Cost –			
3,927,283	British Government and other quoted Securities .. (Market Value September 30th, 1950, £3,815,806)	3,842,399		
	Loans to a Public Board and other unquoted In-			
270,500	vestments	370,500		
4,197,783		4,212,899		
400,000	*Less* Amounts provided for Depreciation ..	400,000		
3,797,783			3,812,899	
2,300,000	Tax Reserve Certificates		1,327,150	
911,848	Cash at Bankers and in hand		1,548,451	
15,604,484				15,007,236
£26,641,257				£27,264,518

IVEAGH, *Chairman.*
HUGH BEAVER, *Managing Director.*

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Superannuation and Pension Funds

SIR, – I fully support Messrs Boulton (article, November 25th, 1950, issue and Spriggs (correspondence columns, December 16th, 1950, issue) in their attitude to superannuation and national insurance contributions. I would go further and ask whether there is any need for an insurance fund or contributions at all. General taxation bears the difference between the cost of benefits on the one hand and the contributions of employers and employed on the other, whilst the contributions themselves are merely a bad form of tax. Should the contributions not be abolished on the ground of economy and the whole cost of benefit met from the consolidated fund? Is there any case for printing, selling, buying and sticking stamps, complicating wages books and maintaining records of the number of contributions paid by millions of people, solely for the purpose of determining whether the Ministry of Labour or the assistance board is the proper body to help a citizen in distress? And does anyone know how much it all costs?

As for superannuation funds, while it may be desirable to have a fund in connexion with a company's scheme in order to protect the pensioners and potential pensioners against the possible collapse of the company, the same cannot be said of local authority funds. Since the ability of the authority to pay pensions ultimately depends on the taxable capacity of the public, local authorities, it would seem, might just as well pay pensions out of revenue as they accrue, and so obviate much useless book-keeping.

Yours faithfully,
S.

Depreciation and Replacement

SIR, – Mr C. A. Ashley (your issue of December 30th, 1950, at page 679) is right in emphasizing the distinction between replacement and depreciation. Depreciation, if based on historical cost will, and if based on present cost may, prove insufficient; if, based on future cost which cannot be ascertained at present, it would be unreal. It seems therefore correct to base depreciation on actual (historical) cost and to consider any excess as a special provision.

According to Mr Ashley such excess is an appropriation of profits and he states that 'keeping capital intact refers to the capital expressed in money'. If accumulated depreciation plus residual value cannot replace assets but new shares have to be issued to fill the gap (as Mr Ashley suggests) can it seriously be maintained that capital is being kept intact? New capital is introduced either to acquire additional assets or to make good losses. Book amounts and terms of money mean little when the 'yard-stick of value' continues to shrink. So far as such new issues are subscribed by existing shareholders they, in fact, pay back funds which were distributed instead of being retained for the replacement of assets. This of course applies only to replacement. Mr Ashley by speaking of 'purchase of new equipment (whether replacement or not)' lumps together replacement and expansion which are different altogether.

Mr Ashley suspects the 'true profiteers' of 'concealing a wish for reduced taxation under a cloak of disinterested accuracy'. While it appears that some classes of taxpayers tend to overstate their case, this should not deflect from the fact that a case exists to some extent.

True enough, if replacement costs increase, so do wear and tear allowances. This by itself, however, is insufficient as is shown by the fact that an ever increasing number of companies have to raise additional funds in order to replace assets. Specific provisions for the replacement of already existing assets should be allowed as charges against profits in computing the tax liability. Such replacements would have to be written off to the (untaxed) provision and would not qualify for capital allowances. Transfers from replacement provision would be taxable.

From the last paragraph of Mr Ashley's letter it appears that he is discussing the consequences of trade cycles. The times when high prices were caused by boom and low prices by depression are a thing of the past, at least in this country. High prices are followed by still higher prices, as one turn of the inflationary screw is followed by another. In such circumstances the danger of not keeping capital intact (if capital means assets and not book amounts) and of overstating profits are far more real than during booms and slumps of trade cycles.

I am, Sir,
Yours faithfully,
Sydenham, SE26. H. HAMMERMAN.

Profits Tax: Payments to Proprietors and Directors

SIR, – With regard to the unfair position created by the fact that no deduction is allowed from profits in respect of interest, rent, royalties, annuities, etc., paid to directors having a controlling interest other than whole-time service directors; it would appear to us that a reasonably fair way of dealing with this would be to include such payments under the total of directors' remuneration. This would have the effect of allowing small and reasonable payments and excluding large amounts as being above the limit of £2,500 or 15 per cent.

We would like the opinions of your readers on this matter.

Yours faithfully,
J. F. R. SANDERSON.
Bath. L. C. HILLIER.

Capital Profit: Taxation

SIR, – The statement by Mr F. J. Woodall (issue January 6th, 1951) that the capital profit which has been subject to distribution charge has been made taxable is not, I submit, correct. The net relevant distribution has evidently exceeded the chargeable profits but the ensuing distribution charge is only the withdrawal of non-distribution relief previously given. A loan to a director of a director-controlled company, which is only a substitution of a debtor for cash, could result in a distribution charge, but such charge would be restricted to the amount of previous relief.

Similarly the balancing charges are only the withdrawal of capital allowances previously given, in order that the sum of the initial allowance and the annual allowances does not exceed the cost of the assets sold. I do not think it is a question of a profit being taxed twice, but only a recoupment by the Inland Revenue of excess allowances in the light of subsequent events.

Yours faithfully,
Leeds, 6. W. SCOTT.

SIR, – In reply to the query by Mr Woodall in your issue of January 6th, I think that the action of the Revenue in including (under Section 36 (1), Finance Act, 1947) a distribution out of such a non-taxable capital profit is to counter the possibility of companies effecting such a distribution in place of their normal dividend payable out of profits. To this end they may seek to gross up the distribution out of capital profits to 20/11ths of the sum paid, but this action should be successfully avoided by stating that the sum has not borne tax and already appears at the gross amount. (Section 36 (2), Finance Act, 1947.)

Of course, this 'distribution charge' is only payable if there have been non-distribution reliefs given to an equal amount, so that if losses had been made or distributions made out of profits equal to the non-distribution reliefs, no charge would arise. Since, however, few successful companies fully distribute their profits, this is poor consolation. Balancing charges are a withdrawal of reliefs previously granted, although, in the case of old assets, these reliefs may not entirely have been allowed in computing profits tax, which only began in 1937.

Yours faithfully,
Leigh-on-Sea, Essex. L. G. COON, A.C.I.S.

The Capital Levy

SIR, – Reading your comments on this topic in January 13th issue of *The Accountant*, I quite agreed with your views on the futility of imposing a capital levy or restricting the free market in securities, but I did not consider that the objects of these proposals were given sufficient attention.

In my opinion there is a very real need, at the present time, to restrain the drawing on capital to finance a high standard of living, both in the interests of the nation's well-being and to ensure a fair distribution of the limited resources available for consumer purposes.

I feel that the solution to this problem rests in an entirely new approach to direct taxation. Direct taxes should be levied not on income only, but on an individual's consumer-spending in any year, no matter from what sources the means of that spending have been derived.

Very little additional information would be required to be furnished to the Inland Revenue by the taxpayer to enable an assessment of his spending to be made, and this additional information would serve to restrict evasion.

Yours faithfully,
London, EC2. V. T. EDMONDS.

Distribution of Unrealized Profits

SIR, – In his most interesting study of company law on the above subject, printed in *The Accountant* issued on December 9th, 1950, Mr Holt states:

> 'It is settled that realized appreciation of fixed assets may be divided as profit. . . . A problem exists only as regards unrealized capital profits.'

So far as I am aware there is no legal definition of 'capital profits'. At present, it is not unusual to find that depreciation on fixed assets has been provided, and that the present value of the assets is greater than the original cost.

Would it be correct to say that the term 'capital profit' as used by Mr Holt refers to the difference between the original cost and the present or realized value of the asset, or is it Mr Holt's contention that the phrase refers to the difference between the written-down balance sheet value and the realized value when sold?

Yours faithfully,
ROBERT J. KENNEDY, C.A.
Greenford, Middlesex.

SIR, – Dr Holt suggests in his article published in *The Accountant* of December 9th, 1950, that unrealized appreciation of fixed assets may be distributed by way of dividend or bonus shares.

Let us imagine a company with a capital of £100,000; £50,000 it invests in a warehouse and £50,000 in wool to put in it.

On a rise of the market value of the wool to £75,000, it is suggested that a dividend of £25,000 may be paid in cash. Where is the cash to come from? There is an appreciation, a prospect of profit, but until the appreciation is realized in cash or debtors, there can be no surplus cash, and I submit no profit. This is not a legal rule. It is a fact.

The credit called closing stock in trading accounts is merely the elimination from the accounts of equivalent purchases. Stock is left out of the revenue account. If a loss on cost is feared, it is usually provided for by reducing the figures of stock credited below cost.

Similarly in the case of an appreciation in the value of the warehouse by £25,000, if the warehouse is

sold to obtain the cash for a dividend and the profit is realized, the law is satisfied the value of the wool being at least cost. If, however, the wool is sold for this purpose, and not at a profit, the payment of the cash must be a repayment of the capital invested in the wool.

Where there is cash in the bank, which is offset by creditors, one cannot set a hoped for appreciation in fixed or current assets against these creditors and pay the cash out by way of dividend, for creditors will not accept hope in settlement of their debts and if the appreciation does not materialize into a profit, a return of capital will have resulted.

Thus I have attempted to demonstrate the essential difference between appreciation and profit. The one exists in the imagination, the other is realized and exists in cash, debtors, new stock or new fixed assets.

As to Dr Holt's reference to *Stapley v. Read Bros.*, and *Ammonia Soda Co v. Chamberlain*, I am glad to see that he refers to their more widely accepted significance, even if after his own suggested interpretation.

In my opinion where a fixed asset is written-up above cost by credit to capital reserve, the asset is then represented by two figures in the balance sheet, the asset figure and the capital reserve, and one has no existence apart from the other. Dr Holt most surely errs in referring to these credits as profits.

The cases quoted regarding the capitalization of profits without a bonus being deemed to have been declared refer to *profits* and not to appreciation.

As to the writer's allusion to the 'capital redemption reserve fund' and the 'share premium account', apart from the Companies Act the one is a realized revenue profit and the other a realized capital profit, and thus are both available for dividend or bonus share issue. The Act merely preserves the right to use them for the issue of bonus shares.

Yours faithfully,

DONALD H. H. MEACOCK.

Ilford, Essex.

[Dr W. B. P. Holt writes: Your first correspondent's assumption is correct. By using the legally not defined term 'capital profit' in the context mentioned, I intended to refer to the difference between the original cost of a fixed asset and its present higher value. No problem exists as regards the difference between the written-down value of an asset and its cost price, as it is settled that depreciation written-off in excess of requirements may be written-back. (*Stapley v. Read Bros.* [1924] 2 Ch. 1.)

Your second correspondent seems to have misunderstood my article. I stated clearly that, and why, paying of a cash dividend out of unrealized appreciation is unsound, and why an issue of bonus shares is a different matter altogether, as is recognized by the Swedish and by some American companies acts. I did not, however, discuss financial policy. I examined the law, for I consider it useful to be clear about the law, whether one likes it or not.

The English legal decisions on the fund available for dividends are based on two distinct profit concepts which prevailed in the last century and which seem due for re-examination on a broad basis. The *Lee v. Neuchatel* series of cases treats as profit the excess of current receipts over current expenditure after providing for depreciation of current assets, disregarding capital losses and past revenue losses. The majority of cases, however, is based on the profit concept derived from partnership accounts whereby profit is ascertained by drawing up a balance sheet and valuing all assets, any surplus of assets over share capital and liabilities being profit (e.g., *Stringer's* case (L.R. 4, Ch. App. 475); *City of Glasgow Bank v. Mackinnon* (19 Sc. Law Report 316); *Lubbock v. British Bank of South America* ([1892] 2 Ch. 198); *Re Spanish Prospecting Co* ([1911] 1 Ch. 92; etc.)). Apart from special provisions in the articles a dividend is legal if either of these profit tests is satisfied. It follows from the strict application of the latter profit concept that unrealized appreciation of assets may legally be treated as profit. (*Midland Land and Investment Corporation* (Palmer's Comp. Precedents, 15th edition, I, 824)). This does not mean that a cash dividend out of such profit would be considered lawful in all circumstances. I did not go into this question at any length as I do not regard a cash distribution of unrealized appreciation as a practical proposition. I examined the legality of a cash dividend merely in order to prove the legality of an issue of bonus shares out of unrealized profit.

The distinction between 'appreciation' and 'profit' which your correspondent attempts to draw is nothing but the old distinction between realized and unrealized appreciation. The difference between the two is not, to my mind, that one is a fact and the other a mere child of imagination. Viewed from the balance sheet concept of profit the difference lies in the degree of certainty as to the value of the asset concerned. That, apparently, is the reason why the Swiss act, which prohibits the writing-up of assets above cost, makes an exception for quoted investments.

As regards the capital redemption reserve fund and the share premium account, your correspondent has missed my point which was to stress that these statutory capital reserves may be applied in paying-up bonus shares although they cannot be distributed by way of cash dividend.]

Income Tax Reform

SIR, – As an unashamed advocate of simplicity, I also support strongly a simplified combined system of income-tax, national insurance, and children's allowances, on the general lines described by Mr N. J. Rush in your issue of December 23rd, 1950, without necessarily committing myself to all the details he mentions.

Mr Rush recommends that the system be introduced by stages, and one of the first steps could be the reform of national insurance contributions, as suggested in my letter in your issue of December 16th, 1950. In the later stages insurance contributions (as such) would disappear altogether.

As an alternative to the ultimate objectives stated by Mr A. Hollamby Robinson (January 13th), I would suggest (1) income-tax at a flat rate, subject possibly to a higher rate for unearned income and to sur-tax on incomes above a certain level; (2) fixed

personal allowances payable to (or in respect of) every man, woman and child, in lieu of the present (*a*) personal allowances for income-tax; (*b*) family allowances; and (*c*) national insurance benefits and grants.

How the tax is to be collected and the allowances paid are subsidiary questions to be decided in the light of personal convenience and administrative economy. In the case of those in regular employment, I would suggest that the employer should pay wages less income-tax, plus the personal allowance of the employee, and account to the government for the tax less allowances. This would be simpler than the present pay-as-you-earn scheme, owing to the flat rates of tax and allowance. Other allowances could be paid through the post office or banks.

Yours faithfully,

Purley, Surrey. M. G. SPRIGGS.

Orthodox Accounting versus Replacement Cost Accounting

SIR, – Perhaps the most important controversy today on which accountants have to make up their minds is that of orthodox accounting versus replacement cost accounting. I think the true nature of saving has some bearing on this subject.

We are all agreed that wealth is the result of past saving out of income, and that these savings have been invested either in bonds or in equities, but the choice of bonds for the sake of security or of equities for the chance of a higher income does not alter the fact that the act of saving was the same and should reap the same reward. It is, therefore, no more than fair and just that those who have saved should all be treated alike.

Now if replacement cost accounting is adopted the equity holder is provided with additional funds which, together with his original savings recovered in the orthodox way, enable him to undertake the new venture of replacing his equipment and stock, if he so desires, whereas this method does nothing whatever for the bondholder. This seems to me the reverse of justice for the bondholder has a fixed income and has no opportunity of putting aside funds which, when added to the principal, will leave him as well off when his bond is repaid as he was when he first invested. The equity holder, on the other hand, because of inflation, is able to increase his profit, maintain his standard of living, and have enough left over to save, and these savings, added to the amount he recovers by orthodox accounting, go a long way towards providing sufficient funds to enable him to embark on fresh ventures on the same scale as those completed. The essence of the matter is that both have saved and have invested their savings, and the only way they can be treated alike is for the equity holder to recover his outlay by orthodox accounting methods and the bondholder to be repaid the sum stated in his bond.

An even greater injustice inherent in replacement cost accounting is the fact that the business man can trade using the savings of bondholders in the form of debentures and, for our present purpose, preference shares. To give him the advantage of the new method of accounting under these circumstances is, to my mind, grossly unfair.

When we consider that the savings of bondholders amount to something like £35,000 million, whereas unpledged equities are perhaps £15,000 million, it is, I think, obvious that if the community wishes to safeguard its thrifty members against the effect of inflation, their first priority must be the bondholder.

It is sometimes argued that replacement cost accounting, whether fair or not, is an absolute necessity in the sense that if this method is not adopted the country's equipment and stocks will gradually decline. This, I think, is not in accordance with the facts. In times of inflation business men are over-anxious to add to their equipment and stocks, for these things are continually increasing in value whereas money is declining in value, and further, the more they can add to their equipment the more profit they can make under prevailing conditions. Hence we have seen in recent years record additions to equipment. In fact, it is because so much of available resources are used to provide equipment that the quantity of consumption goods produced does not satisfy the demand, which is the prime cause of inflation. But this does not alter the fact that these record additions to wealth are matched by savings which are available one way or another to finance the increase. It follows that the effect of inflation is not to run down equipment and stocks, but to make saving less worth while and for that very reason to increase the inflationary pressure. It is indeed a vicious circle.

I therefore put it to you, sir, that accountants should hesitate to certify profit calculated by the replacement cost method as fair, for the quality of fairness can be decided only in relation to the whole, and when so related, it must be admitted that the new method is neither fair nor necessary.

Yours faithfully,

H. A. BRISCOE.

Kings Norton, Birmingham.

Fixed Assets and Inflation

SIR, – I have read with much interest the article in your issue of January 6th, 1951, by Mr A. A. Pakenham-Walsh, on 'Fixed assets: accounting to maintain the productive level of industry'. The author's main contention from an accounting point of view is that although there is no case for the revaluation of fixed assets on the replacement basis, income should nevertheless be charged with the quantum of asset values used up in production, measured at current prices. He suggests that this measurement should be based on the price index method.

This contention is based on the argument that the proprietors of a business, or the directors of a

company, ought to maintain the real capital invested in the concern. Accountants must, however, have some regard to the legal position, and so far as companies are concerned, the directors are carrying out their minimum duties if they maintain the original share capital in terms of £s, without regard to whether these £s are post-war or pre-war £s. Naturally most companies go further than this, and endeavour to maintain and increase the net worth of the undertaking in real values. The fact remains, however, that the investment of the shareholders is determined not by the current value of the monetary unit, but by the nominal amount of their investment. The maintenance of the real value of an undertaking has, therefore, normally the effect of considerably increasing the relative value of the equity at the expense of prior fixed capital. Most discussions on the accounting implications of inflation are confined to its effect upon fixed assets, but is it not useless to attempt to reform accounting systems in respect of fixed assets when no attempt is made to modify the accounting treatment of fixed proprietors' interests, such as preference capital, which are equally affected. When this aspect is considered, the difficulties of reform are made much more obvious, because it is obviously impossible to revalue all fixed interests in capital, whether industrial or gilt-edged stocks. Nevertheless, if the economists advocate reform in the one, they must also put forward their case upon the other.

From an accounting point of view, the suggestion that depreciation should annually be based upon asset values converted by reference to a moving price index, is against all the canons of accountancy. As an industrial accountant, I may add that I should not relish the prospect of endeavouring to explain to my directors that the depreciation charge for the year had been doubled, because of the movement of a price index, although production had remained at the same level. In any case surely the use of a general price index in this connexion will be of little value. If the attempt to calculate a quantum were serious, then it would be necessary to employ price indices in respect of each main type of plant or equipment. In the case of most concerns with large plant installations, the amount of time and effort which would be wasted on calculating the quantum would be quite unjustifiable, in view of the fact that the ultimate figure was quite unconnected with the actual cost of asset wastage or even the future cost of replacement.

For accounting purposes it is essential that the cost of assets consumed should be charged against income as consumption takes place. This process results in the maintenance of the original capital, admittedly without regard to inflation. If profits are adequate to maintain *real* capital, then such an additional amount can be set aside as is considered advisable in order to provide for the future replacement of the installation. The amount which will ultimately be required is an unknown, and therefore any amount set aside must be based on estimates and good judgment. It is not a charge against profits, but an appropriation thereof.

Does Mr Pakenham-Walsh consider that if a company had sufficient profits to pay the dividend on its preference capital, after charging depreciation on historical cost, but would be unable to pay the dividend if depreciation were charged on current price levels, the latter basis should still be adopted? The effect would be that the preference shareholders, having already possibly lost half the capital value of their investment as a result of inflation would be deprived of their right to income in order to ensure that the value of the ordinary shareholders' investment was maintained in real terms. Similar considerations might arise as to the restrictions of dividends paid on participating preference capital for the same reason. I am not advocating that in order to preserve the rights of fixed capital, no regard should be had to maintaining the real value of an undertaking, but I think that the above aspect of the matter merits consideration, and I should be interested to know what view the advocates of reform take of it.

Yours faithfully,
London, EC2. A. R. ANDREW, A.C.A.

Photographer: Rate of Gross Profit

SIR, – I should appreciate the views of readers as to what was a reasonable rate of gross profit on purchases for the years 1940 to 1949 in respect of (*a*) studio work and (*b*) sale of cameras, roll films, etc.

Yours faithfully,
CONTENTIOUS.

Road Hauliers' Compensation

SIR, – 'Prico's' letter, (issue of January 6th), and quotation from the panel accountant's letter is very interesting, as we shall probably be ourselves involved in a similar argument shortly. We can only suggest that 'Prico' takes up the matter with the Road Haulage Association Ltd whose long-distance panel have some very useful advice to offer.

Yours faithfully,
Birmingham, 2. FREEMAN & JONES.

SIR, – We have a similar case to that cited by 'Prico' (January 6th) and we agree with all they say about deduction for proprietors' services. There are statutory provisions under which employees and officers of nationalized undertakings can claim compensation for loss of their jobs but no provision for owners. We think, therefore, that no notional or other deduction for proprietors' remuneration should be made.

We fear that the only way to get this, and other points of principle, settled will be by appeal to the Arbitration Tribunal.

Yours faithfully,
London, EC2. CREW, TURNBULL & CO.

ROYAL COMMISSION
ON THE TAXATION OF PROFITS AND INCOME
Heads of Evidence

FOR the guidance of intending witnesses, the Royal Commission on the Taxation of Profits and Income have drawn up the following list of the main heads under which they will be pleased to receive evidence. Witnesses who propose to put in evidence covering a number of matters will help the Commission if they will, so far as possible, arrange their evidence under the heads set out.

Evidence supplied to either of the two committees presided over by Mr J. Millard Tucker, K.C., will be available to the Commission and need not be repeated.

A. General Social and Economic Questions

1. Is the present system of taxation satisfactory, or could it be improved, in relation to:
   (*a*) incentives,
   (*b*) risk bearing,
   (*c*) encouraging savings,
   (*d*) the control of inflationary or deflationary tendencies,
   (*e*) the balance of payments, including the inflow and outflow to and from this country of capital for investment,
   (*f*) its effect on the distribution of personal incomes,
   (*g*) other economic and social objectives?

These questions can be considered in relation to the taxation of:
   (i) salaries and wages (P.A.Y.E.),
   (ii) profits of businesses and self-employments,
   (iii) dividends and other sources of income.

2. Would it be advantageous to link income-tax with social security payments and contributions?

3. Is the present treatment of companies for taxation purposes satisfactory or should it be altered?

B. Particular Matters

4. Is the taxation net drawn too widely or too narrowly in relation to:
   (*a*) the taxation of United Kingdom residents (companies or individuals) on overseas profits;
   (*b*) the taxation of non-residents on United Kingdom profits;
   (*c*) the definition of residence etc.?

5. (*a*) Are there any kinds of profits or income which are not charged but should be; or which are charged but should not be? In particular:
   (*b*) Is the present distinction between profits liable to charge and those not liable to charge as being capital profits satisfactory?

6. Is the basis of computing income from property under Schedules A and B satisfactory?

7. Should the present rules about deductions for outgoings and expenses be altered?

8. Are the provisions for relief in respect of double taxation satisfactory?

9. Should the present system of graduation by means of the exemption limit, personal allowances, reduced-rate relief and sur-tax be altered?

10. Should the existing differentiation between earned and unearned income be extended or reduced?

11. Are alterations necessary in the rules governing personal and other allowances?

12. Should the rules about the taxation of husband and wife be altered: (*a*) as regards aggregation; (*b*) in any other respect?

13. Should P.A.Y.E. be altered or abolished?

14. Should the principle of deduction at source be extended or restricted?

15. Should the method of assessment to sur-tax be altered, and in particular should it be deducted from salaries?

16. Are any alterations desirable in the system of administration and the functions of the various statutory bodies or persons connected with taxation?

17. Are any changes in the provisions against avoidance and evasion desirable?

18. Is any alteration necessary in the rules governing the taxation treatment of special classes of taxpayers (e.g. public corporations, co-operative societies, charities)?

The list is not necessarily exhaustive and witnesses may put in evidence on questions not specifically mentioned, provided that they fall within the Commission's terms of reference, which are as follows:

> 'To inquire into the present system of taxation of profits and income, including its incidence and effects, with particular reference to the taxation of business profits and the taxation of salaries and wages: to consider whether for the purposes of the national economy the present system is the best way of raising the required revenue from the taxation of profits and income, due regard being paid to the points of view of the taxpayer and of the Exchequer; to consider the present system of personal allowances, reliefs and rates of tax as a means of distributing the tax burden fairly among the individual members of the community; and to make recommendations consistent with maintaining the same total yield of the existing duties in relation to the national income.'

It is hoped that written evidence on matters falling under A (that is, on questions 1 to 3) will be sent in as soon as possible and in no case later than May 15th, 1951. Written evidence on matters falling under B (that is, on questions 4 to 18) should be sent in by December 1st, 1951.

All communications should be sent to Mr E. R. Brookes, Royal Commission on the Taxation of Profits and Income, New Wing, Somerset House, London, WC2.

THE MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

ANNUAL DINNER

The annual dinner of the Manchester Society of Chartered Accountants was held at the Reform Club, Manchester, on Friday, January 19th, 1951, with Mr Mark Wheatley Jones, B.COM., F.C.A., President of the Society, in the chair. Members and guests, numbering about 200, were received by Mr Wheatley Jones and Mr H. Garton Ash, O.B.E., M.C., F.C.A., President of The Institute of Chartered Accountants in England and Wales.

Among the guests were Lord De L'Isle and Dudley, V.C., M.A., A.C.A., Mr H. Prince Bardsley, President of the Manchester Chamber of Commerce, and Messrs S. G. Barker (*Chairman Council of the Manchester and District Bankers' Institute*); L. F. Bentley (*President of the Manchester Law Society*); Derek du Pré (*Editor, 'The Accountant'*); J. F. Dunk, F.C.A. (*President, Sheffield and District Society of Chartered Accountants*); P. F. Granger, F.C.A. (*President, Nottingham Society of Chartered Accountants*).

Messrs J. Norman Hague, F.C.I.S. (*Chairman, Manchester Branch of the Chartered Institute of Secretaries*); F. L. Halliday, F.R.I.B.A., A.M.T.P.I. (*President, Manchester Society of Architects*); W. Graham Heap, F.F.L.A. (*President, Insurance Institute of Manchester*); Eric James, M.A., B.SC., D.PHIL. (*High Master, The Manchester Grammar School*); J. F. Kirkham, *Vice-Consul for Honduras Republic, (President, Manchester Consular Association)*; C. Yates Lloyd, F.S.A.A. (*Secretary, Incorporated Accountants' Society of Manchester and District*).

Messrs Alan S. MacIver, M.C., B.A. (*Secretary, The Institute of Chartered Accountants*); E. J. Mitchell (*Principal Inspector of Taxes*); Lieut.-Col. F. M. Musgrave-Hoyle, M.C., T.D. (*Chairman, Manchester Stock Exchange*); Messrs C. D. North, F.C.A. (*President, Leeds, Bradford and District Society of Chartered Accountants*); G. B. Robins, F.C.A. (*President, Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants*); G. W. Street, F.S.A.A. (*President, Incorporated Accountants' Society of Manchester and District*).

The toast of 'The City and Trade of Manchester' was proposed by the Chairman, Mr Mark Wheatley Jones, who said:

'The proposal of a toast to the city and trade of Manchester by a member of the accountancy profession may appear to some of you to savour a little of what used to be called "enlightened self-interest" (laughter), but it is a toast which I feel I can propose, if not adequately, at least in full sincerity, for the health of the trade of this city is a matter with which accountants are profoundly and intimately concerned.' (Applause.)

He wished increasing happiness and evergrowing prosperity to 'those citizens building upon the great traditions and cultural institutions of this city'. (Applause.)

In his response, Mr H. Prince Bardsley referred to Manchester as 'a centre of industry in this country second to no other part of the country'. He recalled the 'tragedies of the 1930s' and gave warning of the serious consequences to the commerce of the city should those bad days return. With regard to the cotton industry, severe competition might be expected from Japan and, possibly, India. He continued:

'Here I would say to you gentlemen, many of you – in fact, probably most of you – conversant with Manchester's commodities and the very prolific time that we have been going through – the abnormal profits that we have been making in industry – I would say I look on you gentlemen as having a duty to perform to your clients to ensure that they are making the fullest possible provision for those days when we are bound to find some recession from the present high level of prices.

'I only hope that we may find ways and means of limiting this recession. If we do not, then the dangers to our traders in this city, and not only in this city but throughout the country, are very, very serious.'

Lord De L'Isle and Dudley proposed the toast of 'The Institute of Chartered Accountants in England and Wales', and said that he did so 'as an accountant not only not in practice but out of practice'. (Laughter.) He continued:

'May I say in all humility that I am sure a great many other professions are looking to our profession with hope, mingled with anxiety, at this particular moment. All professional men must be most keenly aware that there is a very dire threat to the independence and status of professional men by reason not only of the degree of taxation but by the incidence of taxation of professional men.'

It might be thought 'unrealistic' to speak of revision of taxation at a time when our country faced such grave danger and the prospect of greater rearmament, but the increased burden must be shared as equitably as possible.

'I feel that the importance of the professional men of our country is out of all proportion to the slice of the national cake which they get. We ought not to try to estimate it statistically. It is part of statesmanship to apprehend these things and not rely on calculation.' (Applause.)

Professional men did not make good advocates in their own cause.

'Let facts be the advocates and let accountants, and particularly members of our Institute who are in possession of the facts, put them at the disposal of the public.'

He concluded:

'It is because it would be of the gravest harm to our country that there should be an erosion of the quality and vitality of professional life and of the small family business, that I feel I must speak. We are living not only literally, but morally and spiritually, on the capital of the past.' (Applause.)

Replying to the toast, Mr H. Garton Ash said in the course of his speech:

'There is no lack of evidence of the keen interest which is taken in the work of the Institute, and nothing has done more to further this than the bringing together of members who have to live or work in the same locality. In this, your Society is to be congratulated on the progress you have made in extending your sub-branches and obtaining a substantial increase in membership.' (Applause.)

He continued:

'The Council can justly claim to have done much in recent years to help members. The danger now may be that with the exacting conditions under which we have to work, members have not the time to read and absorb all they receive.

'You will have seen from the report in *The Accountant* of the proceedings of this month's Council meeting that you will shortly be receiving some notes on the accounting implications of the 1947 Town and Country Planning Act.'

Of present-day conditions he said:

'The difficulties for which the last great war is responsible

are more upsetting than those of any previous war. The whole problem would be difficult of solution under any circumstances but I think the absence of mutual confidence on all sides is steadily drifting us towards economic chaos. I say this in no spirit of party cavilling for there is no royal road leading us back to prosperity.

'We require in the first place three important ingredients which are sadly lacking today – economy, goodwill, and confidence. In all these matters by our knowledge, experience, and contacts, as well as the confidence placed in us, we are in a unique position to help in re-establishing these three principles.

'I regard the present position as akin to living on the outside of a balloon which is inflated with theoretical precepts but has not sufficient anchorage of practical experience. We cannot continue for long to disregard the fundamentals of life without courting disaster.

'It has not yet been made sufficiently clear and widely enough known that in view of this country's dependence on supplies from abroad the adverse balance of overseas trade must bring about a lowering of the standard of living of the whole nation. Only by adequate production can we balance this decline.

'All the same, I feel confident that if the real objective were to be clearly stated, with all its dangers and need for sacrifices, the whole country would rally in support of whatever trials were necessary provided the burden was to be fairly shared and goodwill and confidence re-established.' (Applause.)

The toast of 'The Guests' was proposed by Mr T. Howard Bell, B.A., F.C.A., and Dr Eric James, M.A., B.SC., D.PHIL., and Mr P. F. Granger, F.C.A., replied.

Mr Herbert Sutherst, F.C.A., paid a warm tribute to Mr Wheatley Jones, and the evening concluded with an expression of thanks from the chair for the admirable work of the Hon. Secretary, Mr J. S. Harrower, A.C.A., in arranging the dinner.

ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

LONDON AND DISTRICT SOCIETY ANNUAL DINNER

The annual dinner and dance of the London and District Society of the Association of Certified and Corporate Accountants was held at the Dorchester Hotel, London, on Wednesday, January 17th, 1951, when about 250 guests were received by the President of the Society, Mr J. P. Shaw, F.A.C.C.A., F.C.I.S., and his daughter, and by the President of the Association, Mr Frederick Wilson, O.B.E., J.P.

Among those present were the Rt. Hon. Lord Latham, J.P., F.A.C.C.A., Vice-President of the Association; and

Mr S. J. D. Berger, M.C., F.C.I.S. (*Director, The Institute of Cost and Works Accountants*), and Mrs Berger; Mr L. F. Cheyney (*Secretary, The Institute of Municipal Treasurers and Accountants*) and Mrs Cheyney; Mr Derek du Pré (*Editor, 'The Accountant'*) and Mrs du Pré; Mr J. C. Latham, D.L., F.A.C.C.A., F.S.A.A. (*Secretary, Association of Certified and Corporate Accountants*); Mr A. S. MacIver, M.C. (*Secretary, The Institute of Chartered Accountants*), and Miss MacIver; Mr D. Mahoney, F.S.A.A. (*President, London and District Society of the Society of Incorporated Accountants and Auditors*).

Mr E. H. S. Marker, C.B. (*Under Secretary, Board of Trade*), and Mrs Marker; Mr J. H. W. Shaw, F.A.L.P.A., F.V.I., F.V.A. (*President, Corporation of Insurance Agents*), and Mrs Shaw; Mr L. A. Terry, B.COM. (*Director, City of London College*); Mr J. Whittle, B.COM., A.C.A., F.I.M.T.A. (*Vice-President, The Institute of Municipal Treasurers and Accountants*), and Mrs Whittle.

Proposing the toast of 'The Association of Certified and Corporate Accountants', Mr Terry said that the history of the Association was inspiring. He recalled that for half a century its growth had been continuous, although this period – which had witnessed the greatest changes in our economic, political, and social life – had demanded an unusual degree of wisdom and flexibility. But these changes were only the precursors of still greater ones to come in the next half century which we now faced.

We must expect an increase in the number of public corporations and in the replacement of competition by planning. Honest achievement in these fields was only possible in the presence of a high degree of efficiency, and it is in the measurement and promotion of this efficiency that the work of the accountant is a major factor. He went on to say that the position which the Association now holds among the recognized bodies has been gallantly fought for in the past and rests upon a secure basis of service to the community. In the future, the Association would continue to need the uncommon measure of wisdom which has always been evident in the guidance of its affairs.

Mr Wilson, replying to the toast, said that the Association's achievements had meant years of unremitting effort and steadfast adherence to the high standards embodied in their motto – Merit, Opportunity, Efficiency. The Association, he stated, must maintain high standards in legislation, education, professional efficiency, the co-ordination of activities with other bodies, and in their joint disciplinary controls.

Mr Wilson emphasized the importance of the individual member of the Association and said how gratified he was that more and more members are occupying distinguished positions. He expressed his satisfaction that Lord Latham had carried membership of the Association and of the London District Society with him to his high office (applause) – and he paid a warm tribute to Mr J. C. Latham. (Renewed applause.) Mr Wilson held that the way ahead, 'although darkened by the shadows of world unrest', could be faced with a justifiable pride in past achievements and the knowledge that the accountant's skill can make a vital contribution to the welfare of the community.

The toast of the guests was proposed by the Rt. Hon. Lord Latham, Vice-President of the Association, and acknowledged by Mr Mahoney and Mr Derek du Pré.

Mr J. H. Shaw, President of the Corporation of Insurance Agents, proposed a toast to the chairman, Mr J. P. Shaw, who, in his reply, thanked Mr E. T. Westmacott, F.A.C.C.A., F.C.I.S., Hon. Secretary of the Society, not only for his organizing of the dinner, but for the many other functions which he had arranged in the course of the year.

The dinner was followed by dancing and entertainment.

NOTES AND NOTICES

The Institute of Chartered Accountants in England and Wales

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 *of the bye-laws appended to the Supplemental Royal Charter of December* 21*st*, 1948, *at a hearing held on December [illegible]th*, 1950.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that three members of the Institute, in partnership together, had been guilty of an act or default discreditable to a public accountant within the meaning of Section 21, subsection (3) of the Royal Charter in that the firm accepted nomination as auditors of a private limited company without first communicating with the then auditors of the company, so as to render themselves liable to exclusion or suspension from membership of the Institute.

The committee found that the formal complaint had been proved and decided that the three members be admonished but, in view of the special circumstances and the apology and explanation given, the committee further decided that in publishing the Finding and Decision no indication should be given of any names or addresses.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Mr Frank Hiscocks, F.C.A. had been guilty of acts discreditable to a public accountant within the meaning of Section 21, subsection (3) of the Royal Charter in that (*a*) he had practised in the firm name of Frank Hiscocks & Co in partnership with a person who is not a chartered accountant while at the same time using the designation 'Chartered Accountants' in connexion with the said firm name and (*b*) in the months of November 1948 and February 1949 in Cyprus he circulated or caused or allowed to be circulated letters soliciting business on behalf of Frank Hiscocks & Co aforesaid, so as to render himself liable to exclusion or suspension from membership of the Institute.

The committee found that the formal complaint had been proved both under headings (*a*) and (*b*) and the committee decided that Mr Frank Hiscocks, F.C.A., of 2 Aristotelous Street, Nicosia, Cyprus, be reprimanded.

TAXATION AND RESEARCH COMMITTEE

The fifty-seventh meeting of the Taxation and Research Committee was held at the Institute on Thursday, December 14th, 1950, at 2 p.m.

Present: Mr W. G. Campbell (in the chair), Messrs K. W. Bevan, T. Fleming Birch, E. P. Broome, J. B. Burnie, D. A. Clarke, J. Clayton, E. H. Davison, W. G. Densem, R. B. Dixon, [illegible] J. Eves, W. W. Fea, E. S. Foden, F. M. Gilliat, G. G. G. Goult, E. A. Harris, N. B. Hart, O.B.E., T.D., E. N. Macdonald, D.F.C., J. H. Mann, M.B.E., M.A., J. W. G. Mitchell, G. P. Morgan-Jones, P. M. Rees, M.C., P. V. Roberts, S. A. Spofforth, H. F. Strachan, A. G. Thomas, T. A. L. Thompson, D.S.O., M.C., W. F. Tidswell, C. P. Turner, A. Whittaker, and G. H. Yarnell, with an Assistant Secretary of the Institute.

Standing Sub-Committees

Reports, as under, were received and discussed:

Cost Accounting Sub-Committee – Mr E. H. Davison.

General Advisory Sub-Committee – The Secretary reported in the absence of Mr G. S. Hamilton.

Research Programme Sub-Committee – Mr P. M. Rees.

Taxation Sub-Committee – Mr F. M. Gilliat.

The chairman of five *ad hoc* sub-committees reported progress.

Membership

The following additional members were co-opted by the committee for the period to September 30th, 1951, following the change in the committee's constitution:

Mr John Cartner, A.C.A., Director and Secretary, The Metal Box Co Ltd.

Mr Roy Augustus Marden, A.C.A., Chief Accountant, Anglo-American Oil Co Ltd.

Mr Harry Norris, A.C.A., Group Co-ordinating Accountant, J. Arthur Rank Organisation Ltd.

Mr Alan Hague Proud, A.C.A., Director and Secretary, Bourne & Hollingsworth Ltd.

Next Meeting

The next meeting was fixed for Thursday, January 25th, 1951.

Personal

MESSRS MACLEAN BRODIE & FORGIE, Chartered Accountants, 7 Royal Bank Place, Glasgow, C1, announce that they have assumed as partners in their business as from January 1st, 1951, Mr JOHN MCJANNET, C.A., and Mr WILLIAM KIRKLAND GOOLD, C.A., Mr MCJANNET served his articles with the firm and latterly has acted as managing clerk. Mr GOOLD is the son of the late Mr JOHN GOOLD, a former senior partner. The name of the firm will remain unchanged.

MR D. B. PLATT, F.C.A., practising as BARRIE PLATT & Co, Chartered Accountants, at 1 Castle Street, High Wycombe, Bucks, announces that he has opened an office at 231 Strand, London, WC2. Telephone: Central 7386.

MESSRS PEAT, MARWICK, MITCHELL & Co announce that Mr J. A. ROBERTSON WALKER, O.B.E., has been admitted as a partner in their Birmingham office, with effect from February 1st, 1951.

MESSRS PRICE, WATERHOUSE, PEAT & Co announce that Mr WILLIAM ROBERTSON ADAM, C.A., has been admitted as a resident partner of the firm in Egypt and the Sudan as from January 1st, 1951.

Revenue Paper: Hilary Sittings, 1951

COURT OF APPEAL

The following cases are down for hearing in the Court of Appeal:

Public Trustee as Executor of T. R. Evans (*deceased*) *v.* C.I.R.

C.I.R. *v.* Silverts Ltd.

Star Cinemas (London) Ltd & Majestic (Derby) Ltd *v.* C.I.R.

Yates *v.* Starkey.

Goodwin *v.* G. L. Brewster.

Howson *v.* Monsell.

Davies (Inspector of Taxes) *v.* Shell Co of China Ltd.

CHANCERY DIVISION

The following cases are down for hearing in the Chancery Division:

Standage Power Couplings Ltd *v.* C.I.R.

H. L. H. Owen and A. W. Gadsdon *v.* K. J. Brock (Inspector of Taxes).

J. A. Littman *v.* H. K. Barron (Inspector of Taxes).

R. M. Owen (Inspector of Taxes) *v.* Edward Sassoon.

Rellim Ltd *v.* E. C. Vise (Inspector of Taxes).

Bury & Walkers *v.* W. F. Phillips (Inspector of Taxes).

Sir Henry H. Dale and Others *v.* C.I.R.

Lamson Paragon Supply Co Ltd *v.* C.I.R.

C.I.R. *v.* Homo Metals Radiant Boiler Co Ltd.

Purchase Tax on Paper Stationery

The Customs and Excise authorities announce that the Treasury have made an order under Section 16 of the Finance Act, 1946, whereby purchase tax will in future be charged on paper stationery in certain circumstances where hitherto no tax has been chargeable. The Order[1] comes into operation on February 12th, 1951, and covers stationery and office requisites consisting wholly or partly of paper, paper board or similar material, but excluding such articles as diaries, calendars, greeting cards, stencils and address plates.

[1] S.I. 1951, No. 60, H.M.S.O.

British Electricity Authority Appointment

The British Electricity Authority announce that they have appointed Mr Arthur M. Scott, M.C., C.A., to be their Chief Accountant in succession to Mr D. W. Coates, C.B.E., M.A., LL.B., F.C.A., who retires from that position on April 10th, 1951. Mr Scott, who was Deputy Chief Accountant (Distribution) is a member of the Society of Accountants in Edinburgh.

British Railways Appointment

The Railway Executive announces that with the concurrence of the British Transport Commission, Mr J. Gillespie, Assistant Accountant, Scottish Region, has been appointed Expenditure Assistant to the Chief Financial Officer, Railway Executive Headquarters.

War Damage Payments

COMMISSION'S WORK IN 1950

The War Damage Commission has issued the following details and figures relating to its activities during the past year:

The Commission paid out £92 million during 1950, £13 million less than in 1949. A total of £947½ million, in 4,140,000 separate payments, has been reached since the Commission began paying out in 1941. Contributions by property owners totalled £198 million.

Claims paid for 'cost of works' repairs during the year numbered 290,000, and there were 47,000 payments on account. The amount involved was £76 million, of which £73 million was paid to private owners, and the rest to local and other public authorities. About two-thirds of this sum was for the repair and rebuilding of houses. Other principal items were: commercial buildings, £7½ million; factories, £7 million; shops, £2¼ million; churches, £2½ million.

Value payments for 'total loss' properties amounted to £16 million, of which £4½ million related to houses. Greater London's share of the year's total was £60 million.

During the last three months payments were made at an average of £1,600,000 per week. The number of cases where owners sent specifications of proposed repairs to the Commission for agreement before beginning the work was 172,000 during the year.

Development Charge

ADVANCE ASSESSMENT FOR CERTAIN PROJECTS

The Central Land Board states (Practice Notes, paragraph 121) that it cannot normally assess a development charge under Part VII of the Town and Country Planning Act, 1947, unless the development is likely to take place within twelve months.

There are, however, certain large projects, such as the redevelopment of a large block of urban property, the building of a large industrial works, or an industrial or housing estate, which have to be planned and carried out over a number of years. In these cases the developer needs to know his financial commitment at an early stage, and the Board has now announced that it will assess the charge provided that:

(*a*) planning permission, at least in principle, has been obtained; and

(*b*) the applicant can show that any necessary preliminary work, such as demolition of existing buildings or the laying of roads or sewers, will be substantially started within four years; and

(*c*) the proposed development is in the Board's view likely to be completed in one continuous process.

The Board reserves the right to re-assess the charge if the development has not been substantially started within four years, that is, unless within that period a reasonable proportion of the total estimated expenditure has been invested on preliminary works such as site preparation and improvements.

London and District Society of Chartered Accountants

The following members of the Management Accounting Team which visited the United States last year under the auspices of the Anglo-American Council on Productivity, will be present at a meeting of the London and District Society of Chartered Accountants to be held at the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2, on Tuesday, January 30th, 1951 at 6 p.m., to discuss the team's report.

Messrs Ian T. Morrow, C.A., F.C.W.A., leader of the team; Stanley J. D. Berger, B.C., F.C.I.S. (Director, The Institute of Cost and Works Accountants, secretary of the team); G. A. Culverwell, A.S.A.A., A.C.W.A. (Road Haulage Executive); R. G. Hooker, A.A.C.P. (electrical engineer and statistician); H. C. Rutherford (director, Venesta Ltd); F. J. Weeks, A.C.A. (W. D. & H. O. Wills (Imperial Tobacco Co)); and D. Williamson, A.C.A., A.C.W.A. (Guest, Keen & Nettlefolds Ltd).

Industrial Assurance

The recently published statistical summary,[1] compiled from the returns of the companies and friendly societies (collecting societies) that carry on industrial assurance business in Great Britain, reveals that during 1949 the number of new assurances decreased by 2,744,000 on the 1939 total of 7,637,000. Nevertheless, the sums assured rose from £162,932,000 in 1939 to £184,002,000 in 1949, and the income from premiums amounted to £100,334,000 in 1949 as compared with £59,835,000 ten years earlier. The industrial assurance fund at the close of 1949 amounted to £671,114,000 against £374,370,000 at the end of 1939, and shows an increase of £296,744,000 over the ten-year period.

[1] *Industrial Assurance: Statistical Summary, 1939–49.* H.M.S.O. 4*d* net.

Course of Lectures on Taxation

It is proposed to hold, at Kingsway Hall, Kingsway, WC2, a course of seven lectures on taxation law and practice, as detailed below. All lectures will commence at 6.15 p.m. and will be for 1¼ hours, including time for questions.

The lectures will take place on Wednesdays, commencing February 7th, 1951.

Lecturers: Mr PERCY F. HUGHES, F.C.I.S., A.S.A.A., Assistant Editor of *Taxation*; Mr T. L. GRAHAM, A.S.A.A., of *Taxation*.

The seven lectures will be as follows: (1) 'Capital allowances', by Mr Graham; (2) 'Profits tax distribution', by Mr Hughes; (3) 'Schedule D, Cases I and II', by Mr Graham; (4) 'Companies and sur-tax', by Mr Hughes; (5) 'Schedule D, Cases IV and V and partnership assessments', by Mr Graham; (6) 'Points from recent Finance Acts', by Mr Hughes; (7) 'Schedule E', by Mr Graham.

These lectures should be found of value to advanced students preparing for the various professional examinations supplementing their studies and presenting the practical aspects of the subjects.

To practitioners, the lectures should present an opportunity of revising and bringing up to date their knowledge of the subjects.

The fee for the course is £1 1*s* and admission cards for the lectures can be obtained from: Mr Ernest T. Green, Kingsway Hall, Kingsway, WC2. Telephone: Holborn 8860.

Fifty Years' Service

A happy occasion took place on Monday evening, January 15th, at the Grand Central Hotel, Belfast, when a presentation was made to Mr Samuel J. Murphy, F.L.A.A., by the partners of Messrs Hugh Smylie & Sons, Chartered Accountants, to celebrate his achievement of fifty years' service with the firm.

In his speech, Mr Murphy, who also received a gift from the members of the staff, recalled the great advances which have taken place in accountancy during the last half century, as well as the many changes in the city life of Belfast, where the firm of 'Smylie' has been in practice for over sixty years.

The founder of the firm, Mr Hugh Smylie, F.C.A., who was admitted a member of the Institute in 1889, died in 1939, the practice now being carried on by his two sons, Mr Cecil V. Smylie, F.C.A., A.T.I.I., and Mr Sidney O. H. Smylie, F.C.A.

During the evening a presentation was also made to Miss May King who has been with the firm for twenty-seven years.

Post Office Year Book

This recently published book will undoubtedly prove illuminating to those who underestimate the many duties of the Post Office. It contains a wealth of information, in concentrated form, on the work of the various departments and their staff of 334,000. There are among others, chapters on engineering and research development, tele-communications, personnel and accommodation, the savings services, and the supplies and maintenance department. As the first issue of a proposed regular year book, the Postmaster-General, in his foreword, craves the indulgence of the reader – an unnecessary precaution, as the year book achieves its objects of presenting a readable and interesting report of the year's activities of this 'the oldest of the socialized industries'.

Israeli Agreement

It is announced by the Treasury that an agreement has been reached between His Majesty's Government and the Government of Israel that the sterling now remaining on Israel's blocked accounts shall be released over the next two years, in amounts of £7 million and £6·7 million respectively. It has also been agreed that in case of need the second year's releases may be anticipated by the Government of Israel to the extent of not more than £2 million.

As in 1950, charitable remittances may be made to Israel in 1951 up to a limit of £2·25 million. The repatriation of funds in Israel belonging to former British residents will continue to be allowed within reasonable limits.

Recent Publications

SHAW'S GUIDE TO INCOME TAX RELATING TO LOCAL AUTHORITIES, by Frank Mellor, A.I.M.T.A., A.R.V.A. xx + 111 pp. 8½ × 5½. 17*s* 6*d* net. Shaw & Sons Ltd, London.

CANADIAN SECRETARIAL PRACTICE, The Manual of The Chartered Institute of Secretaries. vii+309 pp. 9×6. 30*s* net. Sir Isaac Pitman & Sons Ltd, London.

ABSTRACT OF ACCOUNTS OF THE CITY OF JOHANNESBURG for the year ended June 30th, 1950. xii+272 pp. 13×8½. Paper cover. City Treasurer, Johannesburg.

VADE-MECUM, 20th edition, 1950, of the City of Johannesburg. 155 pp. 6×4. City Treasurer's Department, Johannesburg.

REVIEW OF THE FINANCIAL ACTIVITIES OF THE CORPORATION OF THE CITY AND ROYAL BURGH OF EDINBURGH for the year 1949–50. 267 pp. 8½×5½. Paper cover. City Chamberlain, Edinburgh.

WOOLLEY'S HANDBOOK ON THE DEATH DUTIES, 7th Edition, by John H. Munkman, LL.B. xxiii + 251 pp. 8½ × 5½. 27*s* 6*d* net. The Solicitors' Law Stationery Society Ltd, London.

GREATER PRODUCTION, ITS PROBLEMS AND POSSIBILITIES, by Walter Scott. xxvii + 685 pp. 8½ × 5½. £3 10*s* net. The Law Book Co of Australasia Pty. Ltd and obtainable from Sweet & Maxwell Ltd, London.

TOLLEY'S SYNOPSIS OF ESTATE DUTY, edited by Kenneth Mines, F.A.I.A., F.T.I.I., and L. E. Feaver, A.S.A.A., F.C.I.S. 34 pp. 8½ × 5. Paper cover. 4*s* 6*d* net. Chas H. Tolley & Co, London.

A RECONSTRUCTION OF ECONOMICS, by Kenneth E. Boulding, Dept. of Economics, University of Michigan. xiii + 311 pp. 9 × 6. 36*s* net. Chapman & Hall Ltd, London.

INSURANCE BROKERAGE AND AGENCY, by Victor Dover, F.C.I.I., A.C.I.B., M.I.EX. x + 200 pp. 7½ × 5. 12*s* 6*d* net. Stone & Cox Ltd, London.

BUILDING SOCIETY WORK EXPLAINED, by Herbert Ashworth, with Scottish Supplement by Robert Stoddart. 56 pp. 8½ × 5½. Paper cover, 2*s* 6*d* net. Franey & Co Ltd, London.

WHITAKER'S ALMANACK, 1951. Complete edition. 1,156+xxiii pp. 7½ × 5. 12*s* 6*d* net. J. Whitaker & Sons Ltd, London.

INTRODUCTION TO ENGLISH LAW, by Philip S. James, M.A. xvi + 431 pp. 8½ × 6. 12*s* 6*d* net. Butterworth & Co (Publishers) Ltd, London.

EDUCATION AND TRAINING IN BANKING. Report of the Conference held at St. Andrews September 9th to 16th, 1950. 124 pp. 8½×5½. Paper cover. Institute of Bankers in Scotland, Edinburgh.

REPORTS OF SELECTED DISPUTES REFERRED TO THE REGISTRAR OF FRIENDLY SOCIETIES. ix+260 pp. 8×6½. Paper cover, 6*s* net. H.M.S.O., London.

Our Contemporaries

THE NEW YORK CERTIFIED PUBLIC ACCOUNTANT. (New York.) (December.) 'Investment Company Accounting', by Ralph H. Galpin, C.P.A.

THE ACCOUNTANTS' JOURNAL. (Wellington.) (September.) 'Accountancy and the University', by C. G. F. Simkin, PH.D.(OXON.), M.A., DIP.SOC.SC.

THE COST ACCOUNTANT. (January.) 'Labour Turnover as a Measure of Control', by P. H. Cook, M.A., PH.D., F.B.PS.S.

LOCAL GOVERNMENT FINANCE. (January.) 'Problems of the Nationalized Industries', by J. L. Salt.

THE SECRETARY. (January.) 'Problems of Decentralization in the Administration of Large Organizations', by P. L. James, A.C.I.S.

ACCOUNTANCY. (January.) 'When is a Balance Sheet not a Balance Sheet?' by Brian R. Pollott, M.A., A.C.A., A.S.A.A.

THE JOURNAL OF ACCOUNTANCY. (New York.) (December.) 'How to Train Staff Men to make an Effective Accounting Organization', by Alan Grant Mann, C.P.A.

Our Weekly Problem

No. 30. THE LECTURE FEE

Mr L. U. Sidate had received a cheque for a lecture he had given entitled 'Problems of today'. He rang the bell for Miss Asset.

'I have to go to Birmingham this afternoon', he said. 'Would you cash this cheque, then take a taxi to the publishers and get me a copy of *After-dinner Speeches for Accountants*.

Miss Asset returned in due course. 'The book cost 7*s* 6*d* and the taxi was 4*s*. This is the change.'

Mr Sidate stared at the pile of notes and silver in front of him. 'They pay very reasonable rates for lectures but this is well over £10 – in fact it is twice the amount of the cheque', he said. He telephoned the bank and it appeared that in cashing the cheque the cashier had inadvertently interchanged the pounds and shillings.

What was the amount paid for Mr Sidate's lecture?

The answer will be published next week.

ANSWER TO NO. 29. THE HOT BATH

Clearly a bath of 105 degrees requires two parts of hot water to one of cold. Therefore the hot tap fills the bath twice as fast as the cold tap. Thus, at the rate of one-third cold, two-thirds hot, the bath fills in one minute with both taps on.

With the plug out the bath empties at half this rate, so fills at half this rate with taps on and plug out. It is therefore full in two minutes, which is the time it took Mr Sidate to shave with his new razor.

The Accountant

ESTABLISHED 1874

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THE EXPORT OF CAPITAL

THE substantial surplus on Britain's balance of payments account for 1950 – a surplus estimated at £225 million – means that a considerable volume of British capital must have been exported last year. That such a state of affairs should have been reached only three years after a deficit of £630 million had been incurred is quite remarkable. Unfortunately, this rapidly rising trend is practically certain to come to an end shortly on account of the gathering momentum of the re-armament programme. The favourable balance for 1951 may therefore be appreciably lower than last year's figure. Nevertheless, the time has come when some consideration should be given to the channels through which this exported capital should pass.

In a recent article in the *Financial Times*, PROFESSOR ARTHUR LEWIS emphasized that the standard of living of this country depends not only on our own productive efforts but also on the current terms of trade.[1] For some years now these have been moving against us and their trend and level are about the same as at the beginning of the century. PROFESSOR LEWIS points out that one important reason for the arrest and reversal of the unfavourable trend in the first decade of the twentieth century was the large investment of British capital overseas. This led to an increase in the supply of primary products relative to the demand.

It is now common knowledge that during the depression of the 'thirties' the standard of living of the people in Britain was heavily supported by our ability to import food and raw materials at low prices. Moreover, the interest received on overseas investments paid for a substantial portion of our food imports bill. We are now at a grave disadvantage in that the interest earned from overseas is only a fraction of the pre-war rates and we have to pay dearly for our imports. It is clear, therefore, that it is highly beneficial for this country to have an export surplus and that the export of capital thus engendered should be directed into the most profitable channels. Overseas lending policy should be aimed at obtaining the optimum benefits from cheap and plentiful raw materials and foodstuffs, consistent with a high rate of interest on overseas investments.

In pre-war days, much of the capital which Britain provided for other countries was canalized through the overseas section of the London capital market. Issuing houses did a thriving business; the funds they raised for foreign clients carried commercial rates of interest and earned substantial commissions for the underwriters. Thus, invisible exports benefited in two ways – from commissions and from interest. In the main, loans

[1] Issue of January 2nd, 1951.

were subscribed by individual lenders or firms; there was little or no public lending. With the disappearance of the favourable trade balance, the wherewithal for lending vanished. Restrictions on the movement of capital, both inwards and outwards, have become general since 1939. Public investment in overseas projects has assumed considerable importance since the end of the war. Such institutions as the Overseas Food Corporation and the Colonial Development Corporation have entered spheres previously dominated by the private investor. It is open to question whether this institutional lending will ever be financially remunerative although the general public may ultimately benefit from increased supplies of food and materials. Indeed, it is known that much of the capital invested in the groundnuts scheme has been irretrievably lost.

However, by no means all the overseas lending which occurred in 1950 was carried out by Government agencies, although, as we shall see, commercial lending did not have pride of place. It is true that this particular year saw the welcome return of the private export of capital on a sizeable scale. Figures issued by the Midland Bank show that about £50 million of capital were raised for overseas borrowers through the traditional market channels. Much of this capital was subscribed for Commonwealth and Colonial Governments and carries only gilt-edged rates. There was some investment in equities, however, and the indications are that a good return may be expected in the not too-distant future. South African mining issues are amongst the chief of these equities. Actually, this £50 million overseas lending is double the figure for 1938. In addition, an unknown amount of investment by United Kingdom parent companies in their overseas subsidiaries also took place and this should prove reasonably remunerative.

Nevertheless, a large proportion of the export of capital implied by last year's favourable balance has been used to build up only mildly remunerative balances or reduce existing liabilities. Britain and the sterling area generally have built up in recent months a very large trading surplus with the countries of Western Europe. In the second half of 1950, Britain, together with the rest of the sterling area, piled up a surplus of about £170 million with the other members of the European Payments Union. A substantial part of this was, of course, earned by Commonwealth and Colonial areas, and to that extent has resulted in a counterbalancing increase in sterling balances held by them. Net credit balances with E.P.U. reckon for interest at 2 per cent per annum. Allowing for the initial debit position which Britain assumed on entering E.P.U., and also for the gold payments made to this country, it appears that we are entitled to receive interest at 2 per cent on a maximum sum of £90 million, which figure was reached in December. Judging by the very few European issues which have been sponsored by the London capital market it seems certain that practically the whole of Britain's net surplus with E.P.U. countries was accumulated as an E.P.U. surplus. Two reasons for this may be given – reluctance on the part of underwriters and investors to provide funds for Europe, and the existence of restrictions on capital movements.

Releases of sterling balances to such countries as India and Pakistan have provided another channel for the export of capital. The repayment of external debts of this type yields an interest saving of about ½ per cent per annum, since this is the rate of interest being paid on accumulated balances. The Colombo Plan implies that this type of capital export will continue. Releases of sterling balances to South East Asia are, if the Plan comes into operation, to be made obligatory on Britain to the tune of £250 million over six years. The question does arise, therefore, whether we are making the best uses of our favourable overseas balance. It must be sound economics – at least in the long run – to improve the productive capacity of the areas providing food and raw materials. The establishment of trading areas in which restrictions are reduced to a minimum is also a desirable object. But the earning of substantial amounts of interest on overseas investments is not without importance. The foreign section of the capital market can still offer useful services in this respect. It is to be hoped that its help will be more and more sought. The announcement of the completion of arrangements for the raising of £5 million in Britain on behalf of the Norwegian Government marks a very welcome recurrence, even though only in a small way, to a freer use of the London capital market.

CUSTOMS AND EXCISE REPORT

THE Report of the Commissioners of His Majesty's Customs and Excise for the year ended March 31st, 1950,[1] conceals beneath its staid blue cover and formal title such unexpected and pleasure-conjuring words as 'sparkling sweets'. The more serious-minded who buy this report can learn also what 'proof spirit' really means, not to mention 'offal snuff'.

The Customs and the Excise were amalgamated in 1909; this is the forty-first report issued since then – the ninety-fourth relating to Customs and the ninety-third relating to Excise. The Commissioners state that their general aims in administering the duties are

> 'the equity and certainty of their charge, the economy of their collection, and the convenience of the taxpayer'.

This will come as a surprise to the many voyagers with memories of progressing unsteadily from an all-too-mobile ship to a large and exceedingly draughty shed, there to be kept waiting until two separate sets of officials have asked them how many pound notes they have.

The duties yielded a total of approximately £1,520 million as against £1,557 million in 1948–49, and £340 million in 1938–39, when purchase tax was unknown. The recent fall is due partly to a lowering of certain duties but probably much more to the increased range of goods available in the shops, particularly after the derationing of clothing, and the consequent diversion of expenditure from drinking, smoking, gambling, and entertainment. Even so, nearly £601 million was paid on tobacco, with purchase tax a poor second at £292 million and beer £277 million. Spirits were a long way behind at £98 million, while only £62 million went in petrol tax, little more than before the war. Receipts under the Import Duties Act, 1932, were nearly £49 million, entertainment tax produced £45 million and betting £26 million. The tobacco figure of £601 million, against £85 million before the war, is perhaps the most remarkable.

There is much interesting information about the liquor trade. It is probably not generally realized that in spite of the heavy tax and the decline in strength, a greater volume of beer was drunk in 1949–50 than in 1938–39, although of course not so much as in the war years. This buoyancy of beer consumption no doubt to some extent reflects recent social changes. Many persons who formerly drank wine with their meals now drink beer, the wine gallonage having fallen considerably. Scotch whisky, that elusive beverage which for so many is simply the name of something that closes the dollar gap, is lumped with 'other sorts' under the repellant title 'ethyl alcohol'. The stock of this on March 31st, 1950, was about 112 million gallons in Scotland, against a paltry 4 million gallons in England and Wales. Absinth, dear to the readers of the more popular novels, seems to be much less popular in real life than in fiction, only 6 gallons being consumed in 1949–50.

A book could be written about the vagaries of purchase tax, showing, for instance, that the man who can afford to keep dry in a car pays only 33 per cent on it, while the less fortunate ones who make do with umbrellas for that purpose must pay 66 per cent. The uncertainty of the tax is increased by the fact that the Treasury can alter its incidence by Order, so that articles formerly heavily taxed become tax-free overnight and vice versa.

It would be interesting to hear the views of a nineteenth century economist on the practice of the State taxing and subsidizing the same article at the same time. Tea and sugar enjoy this remarkable distinction, the amount of the tax going to swell the apparent loss incurred by the Ministry of Food. It was to reduce this paper loss that these duties were reduced in the 1949 Budget. However, the tax on saccharin, whose only object was to be complementary to the former tax on sugar, is still with us. The report gravely announces that licences were issued to three saccharin manufacturers, £3 duty being collected.

The year 1949–50 saw a sharp rise in the number of convictions for offences in connexion with Customs and Excise, namely from 2,905 in 1948–49 to 3,736. Of this latter figure, 2,393 represented purchase tax offences.

[1] Cmd. 8120. H.M.S.O. 4s net.

COMPANY LAW

TWO INTERESTING POINTS CLARIFIED

by F. D. HEAD, Barrister-at-Law

THE practice of the Registrar of Companies in dealing with company subscribers to the memorandum of association appears to have been clarified. A limited company is, of course, a 'person' distinct from the shareholders and it would seem to follow that it should be included among the subscribers. A well-known encyclopaedia of forms and precedents, however, contains this passage:

> 'A corporation, if authorized to take shares in a company, may be a subscriber, but the Registrar will not include a corporation as a subscriber in reckoning the prescribed number of subscribers.'

According to this statement a memorandum of association signed by a company would require, in the case of a public company, seven other individual signatories or two in the case of a private company.

The question has been recently raised in connection with a private company and the Registrar's reply was as follows:

> 'The Registrar has been advised that a company incorporated under the Companies Acts is a "person" and, provided its memorandum of association allows, may become a shareholder in another company. This is recognized by Section 139 which makes provision for that eventuality.
>
> 'The Registrar would not, therefore, be justified in refusing to register a private company where one of the two subscribers is another incorporated company.'

Section 139 referred to enables a company member of another company to appoint a representative to act at a meeting and under the corresponding section of the 1929 Act it was held in the *Kelantan* case that where the articles provided that 'two members personally present shall be a quorum', a representative of a corporation could be counted in the quorum.

The Registrar's ruling must, obviously, now be accepted and acted upon as final and conclusive unless (an unlikely contingency) it should not be upheld by the High Court.

I understand that an *erratum* note is likely to be issued by the publishers of the encyclopaedia in accordance with the new ruling and present practice.

Directors' Dilemma

The directors of a public company, formerly a private company, recently received through the agency of a well-known investment trust an offer for the purchase of the ordinary shares. The offer contained the usual condition requiring acceptance by the holders of 90 per cent so that dissentients could be compelled to come into the scheme and sell their shares under Section 209. The price offered was 30*s* per share, which was considerably more than the market price. The directors turned down the offer but did not communicate it to the shareholders. As was to be expected, this refusal to notify the shareholders occasioned considerable unfavourable comment in the financial Press. It appears that the directors include the original founders of the business who hold 45 per cent of the ordinary shares and, consequently, the requisite 90 per cent acceptances would not have been obtained if the offer had been notified.

So far as the legal position is concerned, the directors, being agents of the company and not of the shareholders, were under no legal obligation to notify the offer: it was a matter for their discretion.

The sequel to the refusal took the form of a renewed offer sent direct to the shareholders by the trust, and this also failed and for the same reason, the controlling directors refusing to come in. I think some support for the directors is to be found in a case where a requisitioned meeting had not been convened by the board. In that case Lord Justice Fry stated:

> 'if the object of a requisition to call a meeting were such that in no manner and by no machinery could it be legally carried into effect, the directors would be justified in refusing to act upon it'.

On the same principle, directors would appear to be justified in refusing to circularize an offer which could not be implemented so long as the holders of the majority vote refused to accept. *Lex non cogit ad impossibilia.*

Since the foregoing was written an announcement in the Press has stated that an offer of 34*s* per share has resulted in a 97 per cent acceptance.

Minorities and 'Oppression'

The Act contains a new provision designed to protect oppressed minorities (Section 210) by enabling the Court to make an order

'including an order for the purchase by a majority of the shares of the minority at a price to be fixed by the Court'.

The quotation is from the Cohen Committee's Report, page 75. But what would amount to oppression is not defined in the section for obvious reasons. A failure to notify shareholders of an advantageous offer to buy their shares, if an isolated incident and not part of a systematic policy of oppression, would not, I think, be held to be within the section so as to entitle the minority to the protection of the Court.

THE USE OF PUBLISHED ACCOUNTS–II

THE VIEWPOINT OF AN ECONOMIST

by ROLAND BIRD
Deputy Editor of *The Economist*

Introduction

MY talk tonight is one of a series on the use of published accounts, and I am supposed to comment on them from the viewpoint of an economist. I ought to warn you that there is a difference between an economist and an economic journalist; I am an economic journalist and therefore, by professional training, more superficial in judgment and more dogmatic in opinion than a real economist. I have for twenty years been trying to understand company accounts, and to comment on them usefully, both from the standpoint of the investor and of the economist and statistician. My predecessors at *The Economist* had been doing the same thing for much longer; they began as far back as 1908 to make a computation of industrial profits quarter by quarter, grateful for the opportunities given them by the Companies Act of that year, though those were the days when directors put in very much what they chose. The area of this analysis was widened after the Act of 1929, but not so far as we should have liked. Then came boom, depression, war, the Cohen Committee, and the new Act of 1948. On July 1st of that year the accounting provisions of the Act came into force. Those of us, at *The Economist* and elsewhere, who had been arguing for years for the disclosure of all facts and figures in company reports – for consolidation, for bringing reserves into the open, for a consistent treatment of taxation, for disclosure of depreciation – suddenly got what we had been asking for. I still wonder sometimes what hit us two and a half years ago. The new Act made life almost unbearable for company and professional accountants; the average shareholder still wonders what on earth to make of the voluminous accounts he receives; and the financial journalist marks the contrast between annual reports that become ever longer and more beautiful and the miserable inches that the paper controller leaves him for comment.

A lecture delivered to members of the London and District Society of Chartered Accountants on January 16th, 1951. It is one of a series of three; that giving the viewpoint of an investor appeared in our issue of December 16th, 1950, and that giving the viewpoint of a creditor we hope to publish in another issue. An accountant will sum up in a concluding lecture.

The Economist's Work on Company Accounts

Since I was invited to talk to you from the standpoint of an economist, perhaps I should not be out of order in describing what we do with this deluge of figures at *The Economist*. Some time before July 1st, 1948, we had been thinking about the best way of recording, analysing and computing all this information about industry's earnings and finances. We decided on a punched-card system in order to get flexibility and speed, and to record the figures of every company whose accounts came into our office. Last year nearly 2,800 reports were received in my office; we are grateful to company secretaries and accountants for keeping us so well supplied. The total seems at first sight a rather small proportion of the 13,000 public companies on the register and, of course, it includes none of the 230,000 private companies. But although we cover less than a quarter of all public companies by number, there are grounds for believing that these account for about half of all profits shown in the National Income White Paper. But, as we shall see later, our figures and those of the Government statisticians show some odd differences that are not easy to explain.

The Profit and Loss Account

Every report we receive is analysed under the following headings: gross trading profits, investment income, other current income and non-recurring credits; these together make total income. We use, of course, the consolidated figures; sometimes we have to compute these from parent and subsidiary accounts, but fortunately the majority of profit and loss accounts are fully consolidated. Each company is given a serial number and each report is recorded according to publication date and accounting date and classified according to its industry.

We gave much thought to the charges, provisions and allocations which should be recorded. We had to work out a scheme based on pre-1948 consolidated accounts and though it is not perfect, our analysis seems basically satisfactory. We record these debit items as follows: repairs and maintenance (a doubtful item, because those charges are often deducted before striking trading profits), depreciation, income-tax, profits tax, directors' emoluments, administrative charges, etc., contingencies and provisions, etc. (note

the 'etc.' which gives some degree of flexibility in these two items) and pensions (an item of growing importance). The next items are minority shareholders' interest in profits and profits retained by subsidiaries; then follow debenture interest and preference dividends. At this stage, the parent company's distributable earnings can be calculated. From this residue, ordinary dividends (of the parent company), sums put to revenue reserves and the difference in parent company's carried forward are provided. Thus the whole process is designed to give a self-contained consolidated account of the profits of industry, analysed industry by industry, on all fours with a group account drawn up on the lines of Section 149 (5).

This information is recorded on punched cards, and the results are collated and analysed each quarter and published in *The Economist* within a week or two of its end. Our Records and Statistics Supplement of the same week contains a more detailed breakdown of the figures, giving all the information I have described above for each industrial group, of which there are over thirty. The time lag between date of account and date of publication varies from quarter to quarter, but for rough purposes the notional accounting date can be taken as six months before the end of the quarter of publication. Figures published in 1950 would thus refer to a notional financial year ending mid-February 1950. This time lag must be constantly kept in mind in handling profits figures.

The Balance Sheet

In our analysis of balance sheet figures, we extract the following items:

On *the assets* side, fixed assets, trade investments, stocks, debtors, net balances due to parent company, gilt-edged securities, cash, other marketable investments, and intangibles.

On *the liabilities* side, bank overdrafts and loans, reserve for future tax, depreciation and obsolescence reserves, capital reserves and excess profits tax refunds, other provisions, current liabilities and creditors, revenue reserves and profits carried forward, net balances due to subsidiaries, minority interests, debenture capital, preference capital, and ordinary capital.

This list covers in a convenient way twenty-one sections into which every item in the consolidated balance can be placed – or occasionally pushed. The total figures for the companies of a given quarter or year can be added together to get a general picture of the changing pattern of industry's capital and financial position. I have had some tables circulated which give you the summary results of the latest analyses of profits and balance sheets; these will be published in greater detail in *The Economist* and the Records and Statistics Supplement during the next week or two.[1]

Let us now look quickly at the results. Take the profit and loss figures first and look at the full-year figures for 2,708 companies with the previous year comparison. I mentioned earlier that the notional accounting date for all these companies whose accounts appeared during 1950 was somewhere in the middle of February; that means that the approximate middle date of the financial year in which these profits were earned was mid-August 1949 – that is about seventeen months earlier than the date when the complete results became known. Profits figures are always out of date, and the more one tries to make them complete the more out of date they inevitably become. The companies that issued their reports last year, reporting on this notional financial year of which the great part was in 1949, showed an increase in 'trading profits' (I use these words in quotation marks) of roughly £90 million to £1,157 million while their total income – including investment income and non-recurring credits – rose by nearly £100 million to £1,293 million – or by roughly 8 per cent. The National Income White Paper for 1949 suggested that trading profits of companies fell from £1,685 million to £1,590 million – or a fall of about 6 per cent. The two series of figures are not precisely comparable, but they can be roughly compared and the contrary results seem a little odd. One has to turn to the notes to discover that these official figures are reckoned after deduction of 'tax-free wear and tear allowances and directors' fees'. One is told that provision for depreciation by 'enterprises' (not the same thing as companies) rose from £675 million in 1948 to £865 million in 1949. So perhaps the best guess is that trading profits *before* depreciation rose from £2,360 million in 1948 to £2,455 million – about 4 per cent, say, against 8 per cent under our reckoning.

It has to be remembered, of course, that the official statisticians are not working on published accounts when they make their estimates, though I believe there is a long-standing practice in the month before the Budget by which the Inland Revenue ask a representative sample of leading concerns to make an estimate of their profits for the previous calendar year. This no doubt explains how it comes about that the statisticians can put forward an estimate for profits within three months of the end of the calendar year – which is working a good deal faster than many companies and their accountants can do in getting out the figures for themselves. All that I can say about the differences in the results is this: our figures are prepared from audited accounts, carefully analysed by a method that safeguards us from the possibility of major error, and computed by a machine that goes haywire only rarely, and then in a truly spectacular way so that we know something is wrong and can put it right. If our figures are right, they prove themselves and we have never regretted making our analysis self-balancing, even though it involves more work and takes longer; it gives us more confidence in the accuracy of the results.

The official figures on profits give no breakdown of their disposal. You will notice from our figures that depreciation provisions of these 2,708 companies

[1] These analyses have now appeared.

rose from £149 million to £[illegible] million. These are the figures for depreciation as they appear in the accounts. To me they look rather low, even for legal wear and tear allowances; at any rate there is a great difference here between what published accounts have to tell us and what the official estimators tell us. I leave you to choose, merely observing that the figures we put together have been audited. Directors' emoluments absorb rather less than 4 per cent of 'gross trading profit'. Income-tax and profits tax together absorbed £478 million in the previous year out of profits after charges of £820 million; in the latest year, the two taxes have absorbed £508 million out of £875 million profits after charges. You will notice that the proportion in each case is above 50 per cent. This is a rather more realistic figure than the 40 per cent proportion which the Chancellor quoted the other day from another series of profits computations.

Of the remaining £500 million of disposable income, practically two-thirds (£292 million to be precise) have been set aside to contingencies and provisions and retained as revenue reserves. Debenture interest requires £23 million, preference dividends £34 million and net ordinary dividends £134 million. So the end result of industry's efforts in 1949, so far as the ordinary shareholder is concerned, was to pay him about one-tenth of its total profit, and so far as the Chancellor is concerned to pay *him* about half. You will note that, despite all the outcry about high dividends and the alleged breaches of the agreement for moderation and restraint, net ordinary dividends last year rose only modestly from £129 million to £134 million. There is a general recognition, even on the part of the Chancellor and other official spokesmen, that the agreement on dividend moderation does not retain its former force. Even so, the figures I have given show that there has been no recklessness in dividend policy. For a year of growing inflation, an increase of about [illegible]½ per cent in the net return to equity stockholders can hardly be regarded as extreme. It is much smaller than the increases obtained by other participants in the national income.

I do not want to conduct any very elaborate argument on the figures I have given you. They have been running quite consistently from year to year, and indeed from quarter to quarter; this is not surprising, because ever since the accounting provisions of the new Act came into effect there has been a continuing profits inflation and no major change in the structure or behaviour of British industry. These continuing economic conditions have at least shown the consistency of our figures, and this fact encourages us to believe that if and when conditions of economic change occur again our profits computations will show a proper response to them. They do give a reasonably adequate picture of the consolidated profit and loss account of industry, and I think they will become of increasing importance for a number of reasons:

(1) We have not begun to tap the riches provided by the new Act. For instance, we intend when we have accumulated new information (our new records have only been going for two and a half years) to analyse the figures according to financial years – that is according to the periods when the profits were earned and not according to the periods when the figures were published.

(2) I think it is important to have a bit of free enterprise in this business of getting statistics together. We are given a lot of official figures, but not much about profits except in the National Income White Paper and in the Inland Revenue Report, and neither of these sources is based on published accounts nor very up to date. I have already indicated one or two odd contrasts between our figures and the official estimates, and a cross-check does no harm either to us or to them.

(3) We have so far done little work on the comparative profit-earning capacity of different industries. This might be done one day by a series of profit and net worth ratios on the lines of some American research. But we want more cards in the files to make this job worth while.

Results of Balance Sheet Analysis

I must indicate only briefly the results of the balance sheet analysis. I think the most important feature here is to measure changes in the current items – stocks, debtors, cash and quick assets; and on the other side, creditors, liabilities and bank loans. The analysis also gives the basic figures for capital issued and employed by reference to which earnings and dividends shown in the profit and loss account analysis can be standardised. We give each quarter some of these percentages and they have shown an interesting trend – rising in terms of issued capital but falling in terms of capital employed for a considerable period. This is a corrective to the usual assumption that profits are rising very rapidly; per unit of capital employed the rate of profits seems to be falling.

I am always impressed by the relatively small size of fixed assets and the relatively large size of current assets. If you take the balance sheet total of £1,582 million for the 646 companies whose reports appeared last quarter (roughly their average balance sheet date would be about mid-July), net fixed assets, after deducting accumulated depreciation provisions, amount to £586 million, and the net current assets amount to £413 million. It is the change in the net current assets position that the modern balance sheet makes particularly plain. It is much less informative on the question of fixed equipment, what has been spent on it and what ought to be spent on it in future.

Some Fundamental Questions

This brings us to a problem of great interest and perplexity, both to economists and accountants. There is no real distinction between current and fixed assets – the one type lasts longer than the other, but in the economic sense both (to plagiarize Recommendation IX of the Institute and to reach an opposite

conclusion) 'have the fundamental characteristic that they are *not* held with the object of earning revenue but for the purpose of sale in the ordinary course of business'. And there is no real distinction between the necessity to maintain current capital and the necessity to maintain so-called fixed capital. Professor Hicks has put the matter in simple and fundamental terms:

> 'The purpose of income calculations in practical affairs is to give people an indication of the amount which they can consume without impoverishing themselves . . . a man's income is the maximum value which he can consume during a week and still be as well off at the end of the week as he was at the beginning.'

On these questions, published accounts are as little revealing as ever. It is not held to be inconsistent with presenting a 'true and fair view' of the state of affairs of a company to offer a balance sheet in which all the items are expressed in the same unit of account but in very different units of value. This is the dilemma of historical and current costs; it explains the relatively low figures for fixed assets that emerge from our analysis, for they are largely based on historical cost. It also explains the relatively rapid rate at which they are now increasing; you will notice that book values of fixed assets for the 646 companies last quarter rose from £703 million to £768 million. That does not mean that these companies increased their physical assets by nearly a tenth in the latest year, but among several factors that have affected the results is the fact that new capital equipment now costs many times what it used to cost.

The accounting conventions that have served so well in the past have been based on the implicit assumption of stable money and prices. Since we have made the discovery of Government spending and full employment, this assumption may not hold so satisfactorily in future. I think I detect among some accountants an unwillingness to contemplate the technical consequences of this changed situation – an attitude here and there that this is none of the accountant's business. The Institute's recommendations early in 1949 set out these problems clearly enough, but had no radical proposals to offer about them apart from some sensible but routine advice about the description of additional sums set aside for replacement. It told the profession to bring to the attention of management the fact that equipment now cost more (which reminds one of grandma and sucking eggs). It pointed out a lot of difficulties. What does 'replacement' mean and how are changes in prices to be measured? Why, it asked, seek to maintain real assets and stocks without making provision for the loss of real value of the company's bank balance? – this at the very moment when companies were busy increasing their overdrafts. If working capital costs more, it means that more capital must be raised from outside the business (which is another way of saying that new savings must be set aside to make up the deficient provisions for maintaining capital intact). 'Not only', it was laid down, 'is the suggested change wrong in principle, but also it strikes at the root of sound and objective accounting because of the practical difficulties of assessing the amounts which would be treated as charges to revenue if the new conception were adopted.'

Now, this is a very strong statement and a number of things follow from it. It suggests that accountancy practice cannot be varied in varying economic circumstances. It seeks to reject as 'wrong in principle' suggestions based on respectable – though I admit not universally accepted – economic argument. And it gives a handle to those who like to have an Aunt Sally of high profits to shy at and also to tax. No one knows how much of the so-called profits of the last twelve years has consisted of capital consumption dressed up as revenue. The national income statisticians make a shot at the proportion of so-called profits arising from inventory gains: in 1948 (when prices rose fast) they put some £400 million of total profits down to rising prices, and in 1949 (when prices rose less fast) they estimated this component of total profits at £75 million. For last year, my guess would be something well in excess of £500 million. This sum will be reckoned in the profits of companies, but it will not be 'profit' in any economic sense at all. It will bear tax, at something over one-half, but it will really be the extra capital value of stocks bought at lower prices and sold at higher prices; all of which ought to be reinvested if capital is to be maintained intact. How far legal depreciation allowances lag behind costs of replacement I do not pretend to know. There must be a very great difference, and this represents the consuming of part of industry's capital which can be made good, if at all, only out of taxed profits or out of new savings.

I think a more resolute attitude on the part of the profession about these problems would have been of help in shaping public thinking on problems of capital and income. My respect for the accountant as technician is unbounded; every time I open a set of group accounts and mark his skill in keeping inside the eighth schedule and his ability for meticulous footnotes, I sigh for his responsibilities and labours. Do these, I wonder, leave him too little time to meditate on the question of what accounts ought to be about, instead of what the 1948 Act says they must be about? Is it more important to answer conundrums about the accounting dates of subsidiaries than to take timely steps to call attention to the risks of conventional accounting during a period when the meaning of money symbols is undergoing rapid change? Is the accountant right to regard himself as a mere technician working within a framework of law and accepted professional methods but not to seek to go outside them or change them? Let me emphasize that there ought to be nothing absolute about British standards in these matters; in other countries, law and technique are different.

I must not stray too far from my text into these fields. But I suggest that this whole argument about replacement costs (both of fixed and current assets)

does illustrate one of the serious limitations of the usefulness of published accounts to the economist. The accountant says 'All these items are in identical terms, for they all bear a £ sign'. The economist says, 'Your £ sign means different things according to the time when the different assets were labelled and the labels can involve very different decisions about their replacement'. By modern standards it is reckoned immoral to seek to maintain capital intact. Industry is warned to try no monkey business after devaluation (only the Government trading departments were allowed to put up their prices to replacement costs) and an increase in utility prices is granted only on condition that retailers charge the old price for old stocks. In other words, a piece of industry's capital is handed over free to the purchaser at the old price. I believe this dressing up of capital to look like income – it occurs in company profits, in taxation, in the public accounts, and in price policy – is one of the serious economic threats of our time. It enables us to live on the past without noticing the fact that, unlike Professor Hick's man, we are not as well off at the end of the week as we were at the beginning.

Could published accounts help with these problems? In some ways I think they could. *First*, there ought to be a clear statement of the amount actually expended on new fixed assets, either by replacement or expansion, in each accounting period. The only estimates of industry's capital expenditure that are possible now are hideous guesses. Yet this is one of the key figures in economic planning and ten times more important than the statement of future liability under contracts for new capital expenditure. *Secondly*, the state of practice about inventory valuations is, I think, almost deplorable. The only demand now is that practice should be consistent – whether consistently right or consistently wrong matters not. I suggest that the basis of valuation should be specifically stated in accounts, and that the LIFO–FIFO argument should be settled once for all – in favour of LIFO. *Thirdly*, accountants ought to be searching their hearts whether a certificate that endorses a set of accounts as showing a true and fair view is justifiable in circumstances that clearly involve a continuing dilution of the substance of industry. One might suggest a new form of qualified certificate in such cases: 'Subject to the capital market providing sufficient resources to make good the drain that has occurred through wrong price policy, through inflation and through the taxation of capital made to masquerade as income, in our opinion such balance sheet and profit and loss account give a true and fair view etc.' *Fourth*, it ought to be possible to give in each set of accounts some indication of the effect of rising prices on profits – in other words, that part of the inflation of money symbols that does not in fact represent profit at all. *Fifth*, it ought to be possible to give some indication of the deficiency, if any, between the amounts charged for depreciation and set aside for additional costs of replacement, and the total expenditure that would be incurred in maintaining fixed equipment intact. That would not be an accounting figure so much as a memorandum. Not all companies could produce such a figure, but some do so already and others could do so. To draw the attention of stockholders and public to these questions seems rather more important than technical arguments whether extra sums set aside are provisions or reserves. *Sixth*, I would like to see some serious attention to the treatment of initial allowances in published accounts. Their importance when the rate is as high as 40 per cent and the volume of capital expenditure so greatly expanded has been underestimated. They are having, I suspect, a distorting effect on published profits and I would like this effect to be specifically stated and measured. *Seven*, I suggest that there is still room for greater standardization of presentation of published accounts. By that I do not mean a dull uniformity, but a set of conventions that are universally accepted. Some of these things are quite simple – for example *not* giving the profits figure *after* deduction of a list of charges. Some of the best companies do this, and for those who want to know what the profits are, all the charges have to be added back. *Eight*, we still need total turnover and costs of sales to make published accounts really useful. Some companies give such information. Why not all? Can anyone really claim that there is much in the old objection that to do so assists competitors?

Most of these points, but not all, are new – in the sense that they did not present themselves very forcefully to the Cohen Committee or to the draftsmen of the 1948 Act. They reflect the fact that today we need a new direction in accounting methods to cope with a set of new economic facts. When the Cohen Committee was sitting and even three years later when the Act was going through, people were working on the assumption that something like the pre-war pattern of prices would be restored. They were certainly not conscious of the possibility that prices might be embarking on a permanent rise, and that money would be losing value by 10 per cent a year. A true and fair view of this situation can hardly be presented, one would think, merely by using the old methods. I feel very earnestly that accountants cannot stand outside this issue. If some say, 'But our technique does not enable us to make any changes', so much the worse for the technique. I do not think that the work of the accountants and the economists has even reached the preliminary stage of tackling what has to be done to reach the right views about the true nature of profits and the best ways of measuring them. These are forbidding lines of enquiry even to the experts, and I know how their views differ. But these matters do nevertheless present a test of democratic understanding, involving the willingness of the practitioner to search his heart and teach the truth, and of the man in the street to listen and learn. I hope that neither profession – yours or mine – will fail. For if we fail, we may in the end jeopardise the very economy on which we depend and which we all wish to thrive.

PROFITS, PROVISIONS AND DEPRECIATION

(£'000)

	Reports Published October–December 1950			Reports Published January–December 1950		
	646 Companies		659 Companies	2,708 Companies		2,779 Companies
	Previous Year	Latest Year		Previous Year	Latest Year	
Gross trading profit	*184,910*	218,775	219,978	***1,067,463***	1,157,076	1,170,166
Income from investments ..	*10,330*	11,153	11,181	***79,177***	81,250	81,528
Other current income	*3,184*	4,049	4,052	***8,575***	8,768	8,787
Non-recurring credits	*8,308*	10,726	10,774	***39,629***	46,213	46,903
TOTAL INCOME	***206,732***	**244,703**	**245,985**	***1,194,844***	**1,293,307**	**1,307,384**
Repairs and maintenance ..	*1,841*	2,067	2,073	***8,019***	8,900	9,005
Depreciation	*23,818*	28,002	28,164	***149,283***	181,345	183,003
Income-tax (excluding profits tax)	*63,029*	74,472	74,795	***362,326***	383,675	387,696
Profits tax	*20,857*	25,657	25,799	***115,639***	124,568	126,058
Directors' emoluments	*7,869*	8,399	8,544	***39,713***	41,815	42,770
Administration charges, etc. ..	*10,254*	12,067	12,098	***31,981***	34,910	35,328
Contingencies, provisions, etc. ..	*16,894*	19,570	19,656	***88,844***	102,021	104,003
Pensions	*2,428*	3,216	3,243	***17,990***	17,395	17,456
Minority share in profits ..	*1,738*	1,927	1,928	***15,204***	16,730	16,755
Profits retained by subsidiaries ..	*8,298*	12,611	12,624	***60,683***	80,180	80,598
Debenture interest	*5,089*	5,090	5,098	***21,407***	23,114	23,346
Preference dividends	*5,833*	5,950	5,972	***34,191***	34,541	34,876
Ordinary dividends	*20,544*	22,691	22,843	***129,143***	133,900	135,233
Revenue reserves	*14,107*	19,219	19,373	***87,660***	94,212	95,228
Brought in (parent company) ..	*35,969*	40,102	40,486	***195,430***	228,191	229,638
Carried forward (parent company)	*40,102*	43,867	44,261	***228,191***	244,192	245,667

CONSOLIDATED BALANCE SHEET ANALYSIS

REPORTS PUBLISHED OCTOBER – DECEMBER 1950

(£'000)

	646 Companies			646 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year
Capital (Parent Companies)			**Fixed Assets**		
Debenture	*130,338*	134,166	Land property and plant ..	*703,664*	768,452
Preference	*172,718*	175,051	*Less* Depreciation ..	*159,070*	182,106
Ordinary	*256,250*	273,618			
	559,306	**582,835**		***544,594***	**586,346**
Reserves and Surplus			**Trade Investments** ..	***43,211***	**44,687**
Capital reserves and E.P.T. refunds	*139,225*	142,908	**Intangible Assets**	***38,829***	**37,772**
Revenue reserves and carry forward	*281,590*	318,619	**Current Assets**		
			Stocks	*315,634*	339,567
Total Capital Reserves and Surplus	***980,121***	**1,044,362**	Debtors	*212,423*	252,179
			Gilt-edged securities ..	*31,858*	26,457
			Other marketable investments	*112,188*	104,886
Outside Interests in Subsidiaries	***33,272***	**37,593**	Cash	*169,421*	190,321
Current Liabilities and Provisions					
Bank overdrafts and loans ..	*40,756*	44,591			
Creditors and accrued charges	*323,369*	354,220			
Reserve for future taxation ..	*59,382*	71,164			
Other provisions	*31,258*	30,285			
	454,765	**500,260**		***841,524***	**913,410**
	1,468,158	**1,582,215**		***1,468,158***	**1,582,215**

WEEKLY NOTES

Accountants' Liability for Negligence

When the accountants to a company have been negligent in the preparation of its accounts and a third party suffers loss as a result, are they liable to him for damages? This interesting question was the subject of a decision by the Court of Appeal which was briefly reported in *The Times* on January 27th last. In the case in question, the plaintiff had lent money to a company on the strength of defective accounts which had been produced to him by a clerk in the employ of the company's accountants. The company proved to be a failure and the money was lost.

The trial judge found that the accountants had been careless in the preparation of the accounts which were 'defective and deficient'. However, the majority of the Court of Appeal held that the accountants owed no duty of care to the plaintiff and therefore were not liable to him for the loss. We hope to deal more fully with this case in an article in a later issue on the subject of accountants' liability for negligence generally.

The Society's Examinations

In the examinations of the Society of Incorporated Accountants and Auditors held last November, 4 candidates were awarded honours in the Final, the First Certificate of Merit and First Prize being won by Mr Peter Scarfe, of Norwich. The Second Certificate of Merit and Second Prize were awarded to Mr Arthur Edwin Tucker, of Barnstaple; the Third Certificate of Merit and Third Prize to Mr Robert Charles Murch, of Harrogate; the Fourth Certificate of Merit to Mr William Edward Daglish, of Newcastle upon Tyne. Of the 571 candidates who sat for the Final, 298 (52 per cent) were successful. In the May 1950 Final, the successes were 137 (23 per cent).

In the Intermediate, there were 660 candidates of whom 317 (48 per cent) were successful; 6 candidates were awarded honours: the First Place Certificate and First Prize were gained by Mr Peter John Gibson, of London; the Second Place Certificate by Mr James Alan Marriott, of London; and the Third Place Certificate by Mr Joseph Askew Hedges, of Canterbury. The May 1950 figures for successes were 334 (48 per cent).

In the Preliminary, 104 candidates sat, of whom 37 (36 per cent) were successful, one candidate took honours; the May 1950 figure was 51 (39 per cent).

A list of successful candidates in the Final and Intermediate examinations and a summary of the results in the three examinations appear elsewhere in this issue.

Bankers on the Outlook

The bank chairmen's statements have taken place this year against a background of full employment without prosperity and the certainty of greater strains being put on the economy as the coming months materialize. Their diagnosis of the current economic state of the nation has differed in emphasis but in essentials they are all agreed. Sir Thomas Barlow of the District Bank has attacked indirect taxation and others including Sir William Goodenough of Barclays, give a warning of the dangers of increasing the burden of taxation. Some of the chairmen have emphasized the need to restrain public expenditure. Lord Aldenham of the Westminster, has had some cogent things to say about the limitations of the 'public purse' alias the 'public sieve.' Sir Jasper Ridley, of the National Provincial is of much the same opinion.

Some chairmen have had a good deal to say about the burden of controls – a timely chorus in the same week in which the Prime Minister adds as a delayed footnote to his statement on defence that more controls are to be imposed on industry. Lord Linlithgow, chairman of the Midland Bank, regrets the trend back to controls, and Lord Balfour of Burleigh, of Lloyds, points out that controls work very badly if financial policy is not pulling in the same direction. All the chairmen are anxious about the chronic state of mild inflation which has existed for some time now and which will be given every opportunity of getting out of hand unless the commitments of the country's economy are cut to fit its capacity to carry them out – a task which will fall to the Chancellor to handle at Budget time, now just over two months away.

Armament Bill: Third Edition

The arms bill over the next three years was put by the Prime Minister on Monday at £4,700 million. This means an annual average burden of £1,566 million. The inexorable advance to this high figure has come about in three stages from the level of £780 million estimated in the Budget last April. There followed in due course an estimate for additional defence supplies which originated with the American request for a statement of what this country could do as a contribution towards Western defence. This statement, once compiled, raised the annual bill to £1,133 million. Then followed an estimate of the burden of increased pay for the Forces, which put the total annual figure up to £1,200 million. Now, this week, comes the third version. This may be the final account in real terms, but it will move higher in money terms if the price level continues to advance. If plans are fully implemented, expenditure on supplies for the Services will be twice as high in the next fiscal year as in this one and four times greater two years later.

The Prime Minister then outlined the general effect of these plans on the economy. Broadly, it will be the aim of the Government to meet expenditure out of current resources. Exports are to be maintained and in consequence there will have to be

a diversion of resources from the home civilian market. 'There will have to be financial measures to check civilian demand', said Mr Attlee. Most of the greater effort, he went on to say, must come out of existing industrial capacity so that some industries are bound to reduce their exports. Others must fill the gap. The civil building programme must be reduced. There will inevitably be a reduction in the standard of living but there will be no direction of labour for the time being.

In the next twelve months therefore, the country will be diverting an increasing proportion of its resources to defence. At the time of the Budget last April some 8 per cent of the national income went in defence. At the moment it must be around 9 or 10 per cent and is due to be built up to 15 per cent as quickly as possible. Much of this diversion can be brought about by switching the orders of industry as it is deployed at present. But a significant proportion of the total can only be produced (including the changed pattern of exports) by a fairly rapid redeployment of the labour force. The labour market will be further distorted by the longer period to be served with the colours in the armed Services and by the short-term retraining scheme for released ex-Servicemen. The country needs a published labour budget almost as much as it needs a wise fiscal Budget next April.

Terms of Trade in 1950

Much has been said and written about the worsening of the terms of trade for this country since devaluation in September 1949. The figures for last year, released last week-end, show that this preoccupation with the trend is justified. In December, the average price of imports rose by 2 per cent. For the year as a whole, import prices increased by 23 per cent, raw materials alone rising by as much as 50 per cent. Compared with this performance, export prices rose by only 10 per cent over the same period.

The danger of inflation has been with the country constantly for several years now, but with changing circumstances the emphasis of the different factors which maintain in total an inflationary pressure is bound to change. So it is with the terms of trade. At this time last year, when the gap between import prices and export prices was beginning to widen to a noticeable degree, the danger was that this country would price itself out of the export market as the effect of higher import prices began to work itself out on the cost structure of industry. Today the problem is slightly different. It is not so much that the country will have difficulty in selling its goods at a higher price in hard currency markets (the inflation in the United States will probably help the manufacturer with rising costs to keep and even extend his market there). Rather is it that the country will have to get a much higher volume of goods abroad in order to pay for a higher import bill; and further, that the goods will be difficult to export due to scarcities of materials at a time when the defence programme forbids a diversion of supplies for export unless they can be taken from the domestic civil market. It then becomes a question of how severe a cut in supplies the home civil market will stand without severely reducing the incentive to the worker to make an extra production effort.

Film Production Grouping

A statement was issued last week about the future policy of the National Film Finance Corporation. A regrouping of production units in the industry, excluding the independents, has been devised ostensibly to make the best use of the Corporation's remaining funds. But the elaborateness of the scheme suggests that the Corporation is not without hope that there may be further funds available from the Government when the present ones are exhausted.

The plan proposes that there should be three companies set up. One will be in association both as regards finance and management with the Rank Organization. The second will be associated with the Associated British Corporation. A third group will consist of smaller producers including those making documentaries. These three groups are expected to absorb about £700,000 of the £1,200,000 remaining to be spent. The balance will be available for financing independent producers, the largest of which is British Lion.

This arrangement may well be a useful palliative for the industry, since it brings together producers and exhibitors in a clearly defined way thus assuring films of an outlet in advance where they are a favourable proposition for the market. The scheme does not pretend, however, to attack the more basic problems of the industry and the controversial issues connected with the share of total proceeds available to producers.

Recovery in Shipbuilding

One of the gloomier spots in the general industrial picture during 1949, and a feature which continued to cloud an otherwise favourable outlook for industrial activity in the early months of last year, was the outlook for the shipbuilding industry. There were clear signs that the volume of orders in hand was falling off at a rather disquieting rate. Fortunately, this prospect was reversed as the year progressed. The shipbuilding industry closed the year on an optimistic note. Since the rearmament programme must mean a modernization of naval tonnage there seems no likelihood of any slackening for some time.

Tonnage launched in 1950 was slightly higher than in the previous year, being 1,314,535 tons against 1,260,078 tons, but the number of ships was smaller. However, work started last year for delivery at a later date showed an increase both in tonnage and in the number of ships. It would appear therefore that the better outlook owes a good deal to more orders for merchant tonnage and is not just a phenomenon of the first stages of the defence programme.

FINANCE AND COMMERCE

Recognized uncertainties of present political and economic conditions have been reflected in a rather sharp setback in British Government stock values. An already easier market was not helped by Treasury overpitching of the terms of a £5,000,000 loan to Southern Rhodesia. Over 40 per cent of the loan was left with underwriters. Reaction in the gilt-edged market is of particular interest at present owing to the impending issue of British Steel stock. It is anticipated that the authorities may make some attempt to stabilize the market before that stock is issued on February 15th.

Stock Market Values

Mr L. Nidditch, chairman of the Cardiff Malting Co Ltd, quotes 'Finance and Commerce' on the value of chairmen's annual statements as an opening to another of his broadsides at the Stock Exchange. From what he says, there would appear to be some shareholders who bought their 5*s* shares in 1947 at 17*s* 9*d*, and are now asking when they are going to see their money back. I can only refer them, says Mr Nidditch, to the trading results of the company since 1947 and point out that neither are the assets over-valued nor the cash position or trading prospects in any danger. Mr Nidditch warns shareholders that the real forces creating lower prices or a stalemate are 'certain "interests" who wish somehow to procure control of these companies "cheaply"'.

The thing that surprises us about people who quarrel with Stock Exchange values is that they will not recognize that the Stock Exchange is a market and not some kind of valuing machine fed with the appropriate data – dividend records, balance sheet figures – and delivering the proper price for their shares on a printed card like a weighing machine on a station platform.

Stock Exchange values depend on a variety of factors which are not necessarily all working at once or in the same degree. At one time, a dominant factor can be net assets value per share at another, income prospects. For the mental exercise of those who find it difficult to understand, we would suggest a consideration of the factors responsible for pre- and post-war prices for things in general use such as motor-cars and wool.

From New Zealand

The *Accountants' Journal*, the official organ of the New Zealand Society of Accountants, pays a rather nice compliment to 'Finance and Commerce' by reproducing the accounts of Slumberland Ltd which were reprinted here last year. A correspondent of the New Zealand *Journal* had apparently suggested that the modern trend towards more informative accounts made additional work for accounting staffs and added to printing and paper costs. It all sounds rather familiar. We met a host of curious objections in the years past when we were persuading people to adopt the form of balance sheet which is now standard. New Zealand seems to be going through the same phase.

There is the reader who wonders whether much

TUTT BRYANT LIMITED

Consolidated Balance Sheet, June 30th, 1950, of Tutt Bryant Limited and its Wholly-owned Subsidiary Companies

1949				
	Capital Employed			
£		*Authorized* £	*Issued* £	£
	CAPITAL (in Shares of £1 each)			
75,000	150,000 5 per cent Cumulative Preference ..	150,000	150,000	
225,000	850,000 Ordinary ..	850,000	337,500	
300,000		£1,000,000		487,500
	RESERVES used in the business			
22,500	Share Premium		22,500	
50,000	General		190,000	
72,500				212,500
	UNDISTRIBUTED PROFITS as per accompanying statement			
38,275	Tutt Bryant Ltd		39,670	
1,202	Subsidiary Companies		1,202	
39,477				40,872
£411,977	Shareholders' Funds			£740,872
	Employment of Capital			
		Cost £	*Depreciation Provisions* £	
	FIXED ASSETS			
	Freehold Land and Buildings	106,949		
	Plant, Machinery, and Equipment	95,293	36,386	
	Total Cost and Provisions	£202,242	£36,386	
£ 125,205	Net Value of Fixed Assets			£ 165,865
	INVESTMENT IN ASSOCIATED COMPANY, at cost:			
14,500	Shares in Wesfarmers Tutt Bryant Pty Ltd (uncalled liability £7,500) ..			30,761
	(*Note.* On the basis of this Company's latest audited balance sheet the book value of the net assets exceeds this investment value.)			
	INTANGIBLE ASSET, at cost			
3,000	Distributing Rights			3,000
	CURRENT ASSETS		£	
549,250	Stock-in-trade at not exceeding cost ..		1,110,862	
284,278	Sundry Debtors, less Provision for Doubtful Accounts		387,970	
7,675	Deposits and Prepayments		12,021	
841,203			1,510,853	
	LESS CURRENT LIABILITIES AND PROVISIONS		£	
146,055	Bank Advances secured on the assets		400,314	
108,277	Hire Purchase Contracts		81,651	
182,800	Sundry Creditors		310,798	
111,157	Provision for Taxation		139,161	
11,875	Provision for Proposed Dividends ..		24,844	
560,164			956,768	
281,039				554,085
423,744				753,702
	Deduct			
	EMPLOYEES' SUPERANNUATION FUND			
11,767	(Trustees' undrawn moneys at interest)			12,830
£411,977				£740 872

Note.
Tutt Bryant Ltd has jointly and severally guaranteed the Associated Company's bank overdraft which, at June 30th, 1950, was £61,544

TUTT BRYANT LIMITED

Consolidated Statement of Profit and Loss for the year ended June 30th, 1950, of Tutt Bryant Limited and its Wholly-owned Subsidiary Companies

1949 £			£
2,057,717	Sales		3,371,412
1,689,604	Cost of Sales		2,748,392
368,113	Gross Trading Income of the Group		623,020
	Add		
3,407	Dividend received from Associated Company ..		5,354
371,520			628,374
	Deduct		
203,948	Administrative, Selling and General Expenses, including Directors' Fees (£1,687)		323,315
167,572	Profit before Taxes		305,059
	Deduct		
66,126	Provision for Income Taxes		119,914
101,446	Net Profit for the year		185,145
	Add		
7,590	Balance of Undistributed Profits brought forward from previous year		39,477
109,036	Balance available, dealt with as follows:		224,622
50,000	Transfer to General Reserve ..	£140,000	
	Dividends paid and proposed for the year on the paid-up Share Capital:		
1,875	Preference, 5 per cent	5,781	
17,684	Ordinary, 15 per cent	37,969	
69,559			183,750
£39,477	Balance carried forward		£40,872

	Comprising:	
£38,275	Profits of Tutt Bryant Ltd ..	£39,670
1,202	Profits retained in accounts of subsidiary companies ..	1,202
£39,477		£40,872

Auditors' Report

We have examined the above Consolidated Balance Sheet with the audited accounts of Tutt Bryant Ltd and its wholly-owned subsidiary companies, and have obtained all the information and explanations we have required. In our opinion, the Consolidated Balance Sheet is properly drawn up so as to show at June 30th, 1950, a true and correct view of the state of affairs of the companies regarded as a single undertaking.

FLACK & FLACK,
Chartered Accountants (Australia).

Sydney, October 23rd, 1950.

good can be served by individual effort. Wouldn't it be better, he asks, to wait for an amendment of the Dominion company law? We heard that one too in the 1930s. The New Zealand *Journal* adopts the same stand as we did then. Informativeness is something to be pursued as an ideal; something for which one should strive. The Legislature will give its blessing to the effort in due time and codify what has already come to be accepted as good practice.

From Australia

This week's reprint of the accounts of Tutt Bryant Ltd, of New South Wales, is the nearest we could get to returning the compliment from our friends in New Zealand. These accounts have recently arrived from Mr J. M. Gosper, the company's director of development. Mr Gosper says that in the last twelve months in Australia many companies have decided to present their accounts and reports as a brochure incorporating illustrations to emphasize their activities. Tutt Bryant's brochure has been designed 'to reveal the company's past results, present position, and future prospects. It sets out the ramifications of the organization and the nature of the services it has to offer.'

The company makes heavy equipment – bulldozers, graders, trucks, etc. – and the brochure describes and illustrates a major national development in each State of the Commonwealth to indicate the type of equipment being used in such national schemes. One of them, the Burdekin River Dam, will provide a water storage more than eight and a half times the volume of water in Sydney harbour and ensure a minimum hydro-electric supply of 187 million kw.-hours per annum. New information with the accounts this year is the sale figure which at £3,371,400 compares with £2,057,700 in 1949.

Gaining Courage

Company chairmen are gaining courage. They are daring to criticize the Capital Issues Committee, which while probably doing good work in regulating the channels into which new capital may flow, is completely out of its depth with bonus issues. To the comment by the chairman of Arthur Guinness, Son & Co Ltd last week, we add that of Mr H. C. Bell, chairman of Bell & Nicolson Ltd, the Birmingham textile warehouse.

The directors of this company produced a 'comprehensive scheme' designed substantially to increase the issued capital and at the same time bring the number of preference shares issued into a more satisfactory relationship with the ordinary capital. It was time, they felt, that issued capital should be increased to bring it more into line with true capital employed in the business. The Capital Issues Committee thought otherwise and the scheme was rejected.

The difficulty, says the chairman, apparently arose from the directions received by this Committee from the Chancellor of the Exchequer (announced in the House of Commons on December 15th, 1949) in which, with reference to bonus issues, he said: 'I would ask your Committee not to make any recommendations to the Treasury to permit any such issue unless you are satisfied that each bonus issue in question is necessary to enable the company to continue or to expand its production or to increase the volume of its exports.'

It is not easy to see how any bonus issue could properly satisfy these requirements, says the chairman. The board has proceeded with a scheme that keeps within the £50,000 limit below which Capital Issues Committee permission is not required.

Money Market

Treasury bill applications totalled £337,780,000 for the £240,000,000 bills offered on January 26th. Maintaining its bid at £99 17*s* 5*d* the market received 61 per cent of requirements as against 60 per cent in the previous two weeks. The average rate was 10*s* 2·92*d* per cent. This week's offer is for £230,000,000 against maturities of £250,000,000. There is no call against Treasury deposit receipts neither are there any maturities.

CURRENT LAW

Joint Tenants under Will

A testator gave instructions in his will that if certain beneficiaries living in Germany should be deprived of the right to benefit, 'then I give such benefits to my trustees absolutely with the request but without creating any trust' that they carry out his wishes when legislation should permit them to do so. At his death the beneficiaries were enemies, and the trustees were two individuals and the Midland Bank. The latter executed a deed of disclaimer.

Vaisey, J., held that the document did not operate to sever the joint tenancy. No disclaimer could be made, for the unity of the estate enured for the benefit of all tenants. But it operated as a release of the bank's share in the estate to the other two joint tenants, who now held the whole interest between them. (*Re Schar: Midland Bank Executor and Trustee Co Ltd v. Damer and Others*) (*Solicitors' Journal*, December 9th, 1950.)

The Pound Sterling

Queensland Government debentures were taken over by the Commonwealth in 1927, 3½ per cent Inscribed Stock being given in exchange, the rights conferred by the new stock being the same as those given by the debentures. The latter were for varying sums in pounds sterling and the capital was repayable in 1945 in Australia or London. The plaintiffs contended that they should be paid in London in sterling, but the High Court of Australia held to the contrary.

The Privy Council dismissed the appeal. Lord Simonds said that it could not be inferred from the mere use of the word 'sterling' in a document issued in Queensland in 1895 that English rather than Queensland currency was intended. It was to be assumed that there was no express reference to any particular financial system and the question for decision was what was the proper law of the contract, which question was a matter of implication from all the circumstances. These pointed to the law of Queensland as the proper law (*Bonython and Others v. Australian Commonwealth*). *Solicitors' Journal*, December 16th, 1950.)

Breach of Contract

In the Outer House of the Court of Session last August the plaintiffs in *British Motor Trade Association v. Gray* applied for an injunction restraining the defendant who, it was alleged, had induced persons who had obtained new cars to part with them in breach of their covenant not to resell within twelve months. The inducement lay, it was argued, in purchasing the cars in full knowledge of the covenant.

Lord Blades held that the plaintiffs had an interest to enforce the covenant and that the respondent's purchase in the knowledge of the covenant was an inducement to break it. He adopted the *dictum* of Roxburgh in *British Motor Trade Association v. Salvadori* ([1949] 1 All E.R. 208) to the effect that any active step taken by a defendant having knowledge of the covenant by which he facilitates a breach of that covenant is enough. (*Law Journal*, December 15th, 1950.)

Another case of breach came before Barry, J., in October in *Bailey v. Bullock and Others* (*The Law Times*, December 15th, 1950). Bailey let a house to B.; he himself lived in his own hotel. He later sold the hotel and wished to regain possession of the house; accordingly, he instructed a solicitor, S., who knew that he wanted the house for himself and his wife and child. S. took no steps for eighteen months and then issued notice to quit. He had deceived the plaintiff by a series of excuses. A few months later the plaintiff discovered the deception, consulted other solicitors and regained possession. He then sued the defendants for negligence, breach of duty, inconvenience and discomfort.

Barry, J, found for the plaintiff on the ground (*a*) that the claim was founded in contract and not in tort and that he was entitled to damages for inconvenience and discomfort arising from the breach of contract. The learned judge held, however, that damages could not be recovered for annoyance and mental distress; loss of social standing as the result of lodging in his father-in-law's house; or in respect of the fact that the plaintiff and his wife had thought that, in view of their having to live in reduced accommodation, they could not have another child.

Attornment Clause in Mortgage

The Accountant for October 7th, 1950, reported briefly the decision of Danckwerts, J., in *Portman Building Society v. Young*. That decision has now been reversed by the Court of Appeal (*Law Journal*, January 12th, 1950). The learned judge in the lower Court held that a mortgage established between the mortgagor and the mortgagees the relationship of landlord and tenant and that as a result the mortgagor could claim the protection of the Rent Restrictions Acts. The mortgage attorned tenant at a monthly rent. The instalments fell into arrear and the mortgagors claimed possession.

The Court of Appeal held that on the issue of the originating summons by which the mortgagors sought to obtain possession, the contractual nature created by the attornment clause ceased in so far as it partook of a tenancy. Thus there was no relationship of landlord and tenant at the time the matter came before the Court and the premises were not protected. The Rent Acts referred only to cases in which a true relationship of landlord and tenant existed, which was not the case here.

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The Purpose of the Balance Sheet

SIR, – I refer to the article entitled as above in your issue of January 20th. Poor Mr Davison – he has got himself into a tangle! And the conclusions he reaches! – the suggestion that debts should be dealt with on a cost, rather than on a selling price basis, is about the funniest thing I've read for a long time. Having reached this absurd conclusion on a 'logical' basis, Mr Davison then proceeds to throw it overboard on the grounds of expediency!

It is easy to clear this up. *The function of a balance sheet is to show the financial position at a given date.* This function is clear cut and unambiguous – but once produced, the balance sheet may be used for a host of purposes. If we, as accountants, find it difficult to produce it correctly, for technical or other reasons, then it is up to us to persevere and learn the right techniques – not decry the function or change the name.

From a veritable array of debatable issues, I select the following for comment:

(1) 'The intermingling of unlike figures' – how about share capital itself? £1,000 subscribed in 1913 is a very different thing from £1,000 subscribed in 1950. If Mr Davison wants to 'disclose the full story about share capital' he must show *when* it was provided; and presumably also the respective purchasing powers – which leads inexorably to the question of revaluation of assets, which he so detests.

(2) How can 'writing off' be tantamount to a *suppression* of information? – it is usually disclosed very clearly on the face of the balance sheet.

(3) The statement that 'stocks, stores and work in progress should be stated . . . on a simple historical cost basis' will make any cost accountant laugh. There is no such thing as a simple historical cost (at least in a manufacturing business) – it is rarely historical and never simple: what about overheads?

The question is not 'What have our stewards done with our money?' but 'What has Mr Davison done with our balance sheet?'!

Yours truly,

Ilford, Essex. J. ROSE, A.C.A.

The Honourable Treasurer

SIR, – The associated members of the Union of Chartered Accountant Students' Societies may feel some sense of security in the knowledge that I have received from a member a letter addressed to me as 'The Honourable Treasurer'.

I am, Sir,
Yours faithfully,
FREDERICK J. B. GARDNER,
Honourable Treasurer,
London, EC2. *alias Hon. Treas.*

Company's Accident Policy

SIR, – Your correspondent 'Mandy' (issue January 13th) inquires in regard to the allowance of an accident premium, and liability to tax on any sum recoverable under an accident policy in respect of a director.

We have recently dealt with a case in which a director having such a policy was killed in an accident and the Inspector of Taxes agreed that the policy moneys were not liable to tax, but his decision was mainly based on the fact that the annual premiums had not been claimed as expenses.

Yours faithfully,

Taunton, Somerset. R. S. FROST.

SIR, – In reply to your correspondent 'Mandy' (January 13th issue), the facts appear to be similar to those in *C.I.R. v. Williams' Exors.* ([1944] T.R. 33), in which the proceeds of a policy of insurance against death or disablement of a director were charged to tax.

It appears therefore that (*a*) the whole premium should be allowed as an expense for tax purposes, and (*b*) the proceeds of any claim are liable to tax.

I know of several cases in which premiums on aviation policies have been allowed.

Yours faithfully,

London, EC2. G. NEVILLE.

Directors' Fees: Tax Overpayment

SIR, – A situation has arisen in which a tax overpayment has occurred as a result of the manner in which directors' fees have been paid. My company's auditors have had no similar experience, and I wondered whether your readers have any knowledge of a similar case.

It is customary for my company to vote directors' fees for the previous year at the annual general meeting. The company's year ends on June 30th, and the annual general meeting is often not held until February, or perhaps March, of the following year. In one year the fees for the previous financial year were paid after April 5th, and the fees for the following year were paid before the following April 5th, which resulted in two directors' fees being received in one fiscal year. Tax was deducted under P.A.Y.E. as a result of which a heavier rate of tax was suffered by virtue of the using up of the earned income allowance, reduced rate relief, etc.

Under the system of paying directors' fees for the previous year, all assessments received show a tax underpayment as the fees are thrown back to the year in which earned, and while the Inland Revenue do not require the underpayment of tax to be remitted, a state of overpayment exists when the fees are

eventually paid and tax is deducted under P.A.Y.E.

This difficulty could be overcome by fees being paid as and when earned, but as the board do not wish to adopt such a system I wondered whether your readers have any experience of cases where an Inspector of Taxes has made special arrangements, e.g. by way of adjustment of code number on the directors on which an overpayment has arisen.

Yours faithfully,
Horley, Surrey. L. J. SCUTT.

Pension: Wife's Earned Income Allowance

SIR, – With reference to 'Ellaism's' letter in the issue of January 6th, we too have been in conflict over this point. Our case was not quite on all fours; possibly it was stronger, as our client's wife was originally a voluntary contributor under the 1937 Act. Her husband was not insurable, being over age, and she paid for the stamps out of her own resources. Under Section 27 (2) of the Finance Act, 1946, however, wife's earned income relief is apparently correctly excluded, and we had no option but to agree.

Yours faithfully,
Birmingham, 2. FREEMAN & JONES.

Retail Chemists and the Companies Act, 1948

SIR, – With reference to the reply in your issue of January 13th on the above subject, Mr Knivett appears to have overlooked the requirements of Section 148 (1) of the Companies Act, which are also categorical, or am I to assume that an application to the Board of Trade for an extension of the time limit is advocated? The amounts outstanding in the case of a company with many retail dispensing branches must be considerable, particularly if the business is expanding. It would be interesting to know how the larger companies overcome this difficulty and still submit their accounts to the shareholders within a period of nine months from the end of the financial year.

Yours faithfully,
Wimbledon, SW19. J. A. ARNOLD.

Receiverships: Companies Act, 1948

SIR, – Mr S. R. Hogg's letter in your January 20th issue, setting out the practical application of Section 372 and the attitude of the Registrar towards it, prompts me to put in a word for the persons most vitally concerned – the ordinary creditors.

There seems to be no reason why the full statement of affairs and the receiver's comments should not be available to any genuine creditor, and it is hoped that receivers will readily give the necessary permission if application is made. This information would enable a creditor to judge whether his interests should be protected by the immediate appointment of a liquidator and give him the means of contacting easily the other creditors with whom he could, if necessary, confer.

It is true that the summary of the statement of affairs and comments is often circulated to the creditors by the receiver; frequently, however, this is only brought about as a result of prodding and in any case there is usually a somewhat uneasy delay before the information is provided.

It should not be necessary for a creditor to have to wring the information from a receiver or director by the threat of a petition for compulsory winding-up.

Yours faithfully,
Woodside, Worcester. J. V. BLAKE.

A Few Pitfalls of Estate Duty

SIR, – I have hesitated to comment upon the article by an eminent barrister in the issue of December 2nd, 1950 ('A few pitfalls of estate duty', by Mr G. A. Rink), but no one has raised this point in your correspondence columns.

On page 568, in the paragraph dealing with Section 55 of the Finance Act, 1940, and the different method of valuation in certain cases, it is stated:

'(*a*) *more than half* of the capital of the company . . .'

The Act itself, at 55 (*c*) dealing with capital holdings, says:

'. . . one-half or more . . .'

– a very different matter.

The section has been applied where the shares of a private company were equally divided between two proprietors. The Estate Duty Office stood firmly behind the wording of the section.

Yours faithfully,
Durham. JAMES W. HARKER.

[Mr G. A. Rink writes: My article was intended to give some very general warnings and suggestions and not a full account of the legal and practical points involved in them. Owing to lack of space (apart from any other considerations), my statements as to the law were necessarily very incomplete indeed and, therefore, could not be wholly accurate. The above letter draws attention to a good example of such incompleteness where I tried to give, in five lines, a working summary of definitions contained in Sections 55 (1) and (3) and 58 (1), (3), and (4) of the Finance Act, 1940, which take up two or three pages of the *Law Reports* edition of the statutes. That summary would – as the letter indicates – have closed one loophole if it had said that Section 55 applies

> 'where the deceased had . . . either (*a*) more than half of the income distributed by the company or (*b*) half, or more than half, of its capital, or (*c*) direct or indirect control of the company's board or its decisions in general meeting'.

But such an expansion of my text would still have left a large number of gaps, while, as I had been urged to compress the article as much as possible, I had to content myself with covering the cases which seemed likely to be of most general occurrence and importance. I am very glad that your correspondents are helping to fill in the picture where it had been least adequately sketched.]

INAUGURAL DINNER IN CARLISLE

CUMBERLAND BRANCH OF THE NORTHERN SOCIETY OF CHARTERED ACCOUNTANTS

Members of the Cumberland Branch of the Northern Society of Chartered Accountants held their inaugural dinner at *The Crown and Mitre Hotel*, Carlisle, on Friday, January 26th, 1951. The chairman of the Branch, Mr W. J. Milburn, F.C.A., presided, and with Mr H. Garton Ash, O.B.E., M.C., F.C.A., President of The Institute of Chartered Accountants in England and Wales, received the fifty-two members and guests who attended.

Among those present were Sir Robert Chance, B.A., J.P., Lord Lieutenant of Cumberland, The Lord Bishop of Carlisle, His Honour Judge Fenwick, K.C., Alderman A. H. Partridge, Mayor of Carlisle, Alderman C. H. Roberts, J.P., Chairman, Cumberland County Council, and

Messrs Graham Adam, M.C., F.C.A. (*Member, Council of The Institute of Chartered Accountants*); P. T. B. Browne (*Chief Constable, Cumberland and Westmorland*); J. L. Burgess (*Managing Director and Editor-in-Chief, the 'Cumberland News'*); Percy Cooper, F.C.A. (*Hon. Secretary, The Northern Society of Chartered Accountants*); Alderman W. Dobinson, J.P. (*Chairman, Carlisle Chamber of Commerce*); Messrs Derek du Pré (*Editor, 'The Accountant'*); W. Forsyth, F.I.M.T.A., F.S.A.A. (*City Treasurer*).

Col. P. Gardner, T.D., F.C.A. (*President, Northern Society of Chartered Accountants*); Messrs T. B. Harston, LL.B. (*Official Receiver in Bankruptcy*); T. Milne (*Senior Inspector of Taxes*); A. S. MacIver, M.C. (*Secretary, Institute of Chartered Accountants*); A. M. MacPhail (*President, Carlisle and District Law Society*).

Messrs H. J. Rigg, F.C.A., F.S.A.A. (*President, Incorporated Accountants' District Society of Cumberland and Westmorland*); H. D. A. Robertson (*Town Clerk, City of Carlisle*); A. A. Rushforth (*Chairman, Carlisle Institute of Bankers*); G. N. C. Swift (*Clerk of the Peace*); R. S. Venters, F.R.C.S. (*President, Carlisle Medical Society*).

The toast of 'The Institute of Chartered Accountants in England and Wales' was proposed by His Honour Judge Fenwick, who considered that the rise of the profession in the nineteenth century owed much to the development of the joint stock or limited company, and to the great Public Health Act of 1875, just five years before the Institute received its Royal Charter.

Although they had been the last to enter the ranks of those learned professions which were the glory of Victorian civilization, accountants had been distinguished by 'their rigid and almost demoniac incorruptibility', and those professions now remained 'the great safeguard of the freedom of the people of this country'. (Applause.)

Replying to the toast, Mr H. Garton Ash said in the course of his speech:

'The Institute for which I am responding tonight is young in years but can claim to have established an essential place in the world of business. It is a place which enables its members to render an important and valuable service for the advancement of the welfare of the country as a whole.

'In this service there is room for all, for our work is ever expanding and there is no dearth of new problems to be faced.'

He continued:

'Some years ago an eminent lawyer enjoined us to take a wide view of our duties and I feel we can justly claim that we have and are still doing this.

'It is by so doing that we are, I feel, able to make our contribution to the re-establishment of confidence – that illusive though essential element in the restoration of this country's economic position and the solution of world problems. It is something we are seriously lacking today and until confidence is really established I cannot see us making good progress.

'We are mainly concerned with the accounts upon which we report and ensuring that they do not mislead those who have learned to rely upon our word.

'To ensure that accounts do not mislead requires intelligent use of our knowledge, sound judgment and courage to carry out our duties. It is because we aim to apply these qualities to our work that we can lay claim to be an independent professional body.' (Applause.)

The Bishop of Carlisle, proposing the toast of 'The County of Cumberland', praised it as 'one of the great and pleasant counties of this land', rich in beauty and history of which Cumbrians were rightly proud. Speaking of the present prosperity of the county, the bishop posed a question:

'I sometimes wonder if we are reaching a stage in this county when the demand for labour in the factories by women and girls is so great that they are being taken from the farms into the factories to produce the exports to buy the food that could have been better produced had they remained on the land.' (Hear, hear.)

In conclusion, he coupled with the toast the name of Alderman C. H. Roberts, '*the* man in Cumberland today', whom he admired for his distinguished career, character and personality.

In his response to the toast, Alderman Roberts referred to the achievements of Cumberland in clearing away 'the cloud of unemployment', but said that much remained to be done, and he stressed the urgent need in the country districts for a water supply.

The toast of 'The Guests' was proposed by Mr T. Dowell, F.C.A., in an amusing and poetical speech, and Mr T. Milne responded wittily on their behalf.

In proposing the toast of 'The Cumberland Branch of the Northern Society of Chartered Accountants', Col. Gardner said that the Northern Society realised their 'little empire was rather far-flung', and they had therefore welcomed the suggestion that Cumberland should form their own branch. He congratulated the branch on the draft rules and spoke warmly of the general keeness of the members.

The chairman, Mr Milburn, said in his response:

'We chartered accountants in Cumberland – some of us live sixty miles from one another. What we want to do is to get together so that we may pool some of our knowledge, help each other, and also help our articled clerks so that we may be of greater service to the commerce of the county.' (Applause.)

He thanked Col. Gardner, Mr Cooper and Mr Graham Adam for their encouragement and help, and he paid a tribute to the Hon. Secretary, Mr W. C. Kyle, A.C.A., for the excellent work he had done, both in forming the branch and arranging the dinner.

Mr. R. L. Wyllie, F.C.A., acted ably as toastmaster.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS

Results of Examinations held in November 1950

FINAL EXAMINATION

Honours Candidates (4)

First Certificate of Merit and First Prize
Scarfe, Peter (Larking & Larking), Norwich.

Second Certificate of Merit and Second Prize
Tucker, Arthur Edwin (Charles Henry Symons & Co), Barnstaple

Third Certificate of Merit and Third Prize
Murch, Robert Charles (S. T. Milner), Harrogate

Fourth Certificate of Merit
Daglish, William Edward (J. W. Armstrong & Sons), Newcastle upon Tyne

Full List of Names of Successful Candidates
(in alphabetical order)

Andy, R. T. (Hodgson, Harris & Co), Hull.
Adkin, G. A. (Moores, Carson & Watson), London.
Alderson, K. (Firth, Parish & Clarke), Bradford.
Aldous, G. (Alfred Nixon, Son & Turner), Manchester.
Anderson, R. O. (Harper, Kent & Wheeler), Shrewsbury.
Andrews, L. G. (Cooper & Kenny), Dublin.
Andrews, P. S. (Russell Tillett & Co), London.
Aplin, E. E. R. (W. W. Beer, Aplin & Co), Exeter.
Atkinson, R. J. B. (Deloitte, Plender, Griffiths & Co), London.

Bailey, E. R. (Hucker & Booker), Glastonbury.
Bailey, H. B. (Rupert Lindley & Son), Bradford.
Bailey, R. D. (Clarkson & Rumble), London.
Baird, D. (Peat, Marwick, Mitchell & Co), Darlington.
Baker, E. (Walter Baker & Co), Berwick-on-Tweed.
Baker, H. A. J. (Binder, Hamlyn & Co), London.
Ball, E. L. (Hart, Moss, Copley & Co), Rotherham.
Basu, S. K., B.COM. (formerly with S. N. Mukherji & Co), Calcutta.
Bates, J. H. (Walter Baird & Co), Chester.
Batty, H. (Alfred F. Girling), Doncaster.
Beadsmore, W. A. (Dixon, Johnson & Murkett), Ashby-de-la-Zouch.
Bedforth, S. C. (formerly Borough Treasurer's Department), Batley.
Bedwell, W. (Hesketh, Hardy, Hirshfield & Co), London.
Bell, P. J. (Deloitte, Plender, Griffiths & Co), London.
Bending, A. W. L. (Spicer & Pegler), London.
Bentley, I. A. (Butterell & Ridgway), Hull.
Bexley, R. B. (Rawlinson & Hunter), London.
Billings, D. H. (Brinley Bowen, Mills & Co), Swansea.
Bishop, L. H. S. (Martin, Farlow & Co), London.
Bligh, L. F. (Turquand, Youngs & Co), London.
Blizzard, G. (Hodgson, Harris & Co), Hull.
Borton, D. (Treasurer's Department, Salop County Council), Shrewsbury.
Brailsford, J. R. (Treasurer's Department, Ellesmere Port Urban District Council).
Bristow, D. E. (Carpenter, Arnold & Turner), Brighton.
Brooks, W. J. (Price Waterhouse & Co), London.
Brown, J. A. (L. C. Bye), Middlesbrough.
Browne, R. B. (J. B. Bolton), Douglas, I.O.M.
Brownless, E. E. (formerly with Cassleton Elliott & Co), London.
Buchan, A. (Thomas Smith & Sons), Glasgow.
Buchan, A. G. (Marreco, Ridley & Hyslop), London.
Bunker, D. J. (Roberts & Pascho), Plymouth.
Burford, L. H. (Jackson, Pixley & Co), London.
Burnett, P. (Gordon Ball & Co), Ossett.
Burt, R. E. (Miller Smith & Co), London.
Butler, G. A. (R. L. Marsden & Co), Chesterfield.
Butterworth, C. (Nasmith, Coutts & Co), Manchester.

Callin, J. P. (Albert Hill & Co), Douglas, I.O.M.
Calvert, D. S. (Reads, Cocke & Watson), London.
Campbell, C. (Rickard & Co), Southend-on-Sea.
Catt, B. F. (Metcalfe Collier, Hayward & Co), London.
Cawthorn, G. F. (Cooper-Parry, Hall, Doughty & Co), Derby.
Chapman, D. H. V. (Clark, Battams & Co), London.
Cheesman, R. F. (W. A. Scott & Co), London.
Chilcott, A. G. (Ashmole, Edwards & Coskar), Swansea.
Chinery, P. F. (Griffin & Co), Birmingham.
Clark, D. (Peat, Marwick, Mitchell & Co), London.
Clark, R. J. (Layton-Bennett, Billingham & Co), London.
Clough, W. (G. F. Schofield & Son), Oldham.
Copland, H. (H. A. Cairns & Co), Glasgow.
Copnall, A. (Charles E. Dolby & Son), Liverpool.
Cordell, H. A. (C. F. Middleton & Co), London.
Cork, E. J. (Practising Accountant), Herne Bay.
Corlett, R. W. (J. B. Bolton), Douglas, I.O.M.
Cornelius, F. H. (Wrigley, Bolton & Co), London.
Coulbeck, A. G. (formerly with Hodgson, Harris & Co), Hull.
Crockett, D. A. J. (Whinney, Smith & Whinney), London.
Croom, G. L. (Watts, Gregory & Co), Cardiff.
Culley, F. W. (Greaves & Co), Carlisle.

Daglish, W. E. (J. W. Armstrong & Sons), Newcastle-upon-Tyne 1.
Dalby, D. B. (Morley F. Pearce), Bristol.
Daly, P. J. (Hayden, Stewart & Co), Dublin.
Danby, J. S. (Geo. H. Chapman & Co), Folkestone.
Davies, B. (Deputy City Treasurer), Winchester.
Davies, E. O. (Asbury, Riddell & Co), Ludlow.
Davies, R. I. (Edw. Judson Mills & Co), London.
Davis, F. J. (Woolger, Hennell, Scott-Mitchell & Co), London.
Davis, P. R. (Futcher, Head, Smith & Co), London.
Dean, W. R. (Peat, Marwick, Mitchell & Co), Birmingham.
Dickin, S. L. (Townsend, Watson & Stone), London.
Doughty, D. W. (A. Hague & Son), Blackpool.
Douglas, P. M. (Price Waterhouse & Co), London.
Dunford, R. E. (Morgan & Co), London.
Dunmall, C. (Harmood Banner, Lewis & Mounsey), London.

Easterbrook, H. F. (Ware, Ward & Co), Torquay.
Edgington, G. T. (Thornton & Thornton), Oxford.
Erhen, A. (Pannell, Crewdson & Hardy), London.
Elliott, A. J. (Price Waterhouse & Co), London.
English, G. (formerly with H. D. Collins), Southport.
Evans, V. M. (Turquand, Youngs & Co), London.

Farrell, F. J. (Stanley Marsh), St Helens.
Firban, T. N. (Wykes & Co), Leicester.
Firstbrook, N. (R. Horsefield), Manchester.
Foss, P. W. (Henry White & Co), London.
Foster, B. E. (Smallfield, Rawlins & Co), London.

Gandhi, M. D. (formerly with D. H. Kabraji & Co), Bombay.
Garnsworthy, R. W. (W. F. Atkinson), Sunderland.
Gatward, R. (Newby, Dove & Rhodes), Leicester.
Gee, S. (D. Hunter), York.
Genese, D. A. (Ford, Rhodes, Williams & Co), London.
George, F. B. (formerly with Davis & Davis), Glastonbury.
George, N. J. (H. W. Baddeley), Newport, Mon.
Ghosh, J., B.A. (formerly with A. M. Roy & Co), Calcutta.
Gibbons, W. G. (Clifford Thornton), Preston.
Gilbert, E. D. P. (Peat, Marwick, Mitchell & Co), London.
Gillham, K. (Stanley Holmes & Co), London.
Godden, D. W. G. (Graves, Goddard & Horton-Stephens), Brighton.
Golledge, G. (Pawley & Malyon), London.
Goodhew, B. J. (Norman Sacker, Copper & Co), Bournemouth.
Gordon, J. A. (Gough, Wright & Co), Brierley Hill.
Goulding, J. G. (A. P. Burton & Co), Keighley.

Gratrix, K. H. (Robert H. Benson), Manchester.
Green, G. L. (Brooke & Stocks), Bradford.
Greenway, J. A. (George A. Touche & Co), Birmingham.
Grey, J. (C. H. Arkley & Co), North Shields.
Griffiths, H. J. (Saunders, Horton, Evans & Co), Cardiff.
Gudgin, W. J. (Baker, Todman & Co), London.

Haigh, B. (Boyce, Welch & Co.), Bradford.
Halliwell, E. (Price Waterhouse & Co), Liverpool.
Hallmey, P. (Hodgson, Harris & Co), Hull.
Hammond, A. J. (Deloitte, Plender, Griffiths & Co), London.
Hardcastle, R. C. (Harmood Banner, Lewis & Mounsey), Liverpool.
Harrison, D. (Peat, Marwick, Mitchell & Co), London.
Harwood, P. A. (Moores, Carson & Watson), London.
Haslam, W. E. (James Watson & Son), Carlisle.
Hatter, K. C. (J. V. Couzens), Southsea.
Hattersley, D. G. (G. K. Singer), Bridgend.
Hayhow, L. W. (Hayhow & Co), King's Lynn.
Heap, J. E. (Farrant, Stott & Golland), Manchester.
Hemingway, P. (John Gordon, Walton & Co), Leeds.
Hewitt, F. (Armitage & Norton), Halifax.
Hindley, D. H. (J. D. Hamer & Co), Manchester.
Hines, J. A. C. (Baker, Todman & Co), London.
Hoare, K. (Deloitte, Plender, Griffiths & Co), London.
Hodgkinson, A. (S. E. Parish & Co), London.
Holmes, L. E. (Deputy City Treasurer), St Albans.
Hooley, T. E. (Price Waterhouse & Co), Liverpool.
Hooper, P. A. (Chas. W. Rooke, Lane & Co), London.
Hopper, A. (Thomas Craggs & Co), Darlington.
Horne, R. (T. B. Rich & Co), St Annes-on-Sea.
Horrell, J. E. (Saunders, Horton, Evans & Co), Cardiff.
Howard, L. R. (Charles E. Harper), London.
Hudson, S. H. (J. W. Close Hirst & Co), Leeds.
Huggett, D. G. (Edwin Guthrie & Co), London.
Hull, V. F. G. B. (Deloitte, Plender, Griffiths & Co), London.

Jenkins, F. R. (Lord, Foster & Co), London.
Johnson, J. B. (F. W. Coope & Co), Blackpool.
Johnston, G. K. C. (S. E. Denning & Co), London.
Jones, K. (T. R. Morris), Cardiff.
Jones, R. W. (Alexander Critchley), Liverpool.
Judd, D. R. (Maurice Thompson & Co), London.

Kendall, J. C. (Alfred T. Scott & Co), Ayr.
King, E. A. (Rowley, Pemberton & Co), London.
Kirk, G. (Barron & Barron), York.
Kitson, A. W. (Myers, Davies & Co), London.
Knight, B. W. H. (Price Waterhouse & Co), London.

Ladd, V. A. (Duck, Mansfield & Co), London.
Lamb, N. A. (Peat, Marwick, Mitchell & Co), Newcastle-upon-Tyne.
Larcombe, A. S. (S. J. G. Southon & Co), Parkstone.
Leach, D. (H. Noel French, Ormrod & Co), Liverpool.
Lee, J. A. (W. Elles-Hill & Co), London.
Lee, P. J. (Beal, Young & Booth), Southampton.
Leek, J. (Shipley, Blackburn, Sutton & Co), London.
Lewis, P. W. (Peat, Marwick, Mitchell & Co), London.
Lindop, W. J. (Clemence, Hoar & Co), Romford.
Line, V. W. (Maurice Thompson & Co), London.
Lines, R. L. (Bicker Son & Dowden), Bournemouth.
Long, J. R. (Pawley & Malyon), London.
Lord, R. E. (Practising Accountant), Manchester.
Lowell, W. W. (Bourner, Bullock & Co), Stoke-on-Trent.

McFall, T. L. (Cooper Brothers & Co), Liverpool.
McGregor, D. H. (Cooper Brothers & Co), London.
McIntyre, S. G. (formerly with G. H. Attenborough & Co), London.
Mackay, A. (Ridley & Ridley), Newcastle-upon-Tyne.
MacKirdy, C. J. (Stephenson, Smart & Co), St Ives, Hunts.
McLean, N. W. (Scott & Paterson), Edinburgh.
McMahon, W. J. (J. A. Kinnear & Co), Dublin.
McPherson, R. C. (Binder, Hamlyn & Co), London.
Mallinson, R. P. (W. H. Walker & Co), Liverpool.
Manning, W. G. D. (Hill, Vellacott & Co), London.
Marker, J. (Samson & Coulson), London.
Marks, A. (formerly with Field & Co), Cardiff.
Marshall, D. C. (Blakemore, Elgar & Co), London.
Maslen, P. I. (Price Waterhouse & Co), London.
Mathias, R. S. G. (Cash, Stone & Co), London.
Matthews, T. (Albert Bell & Allan), Newcastle-upon-Tyne.
Max, L. (Clifford Towers, Temple & Co), London.
Meakin, N. (Larking, Larking & Whiting), Bury St. Edmunds.
Miller, R. A. (A. E. Hook & Co), Newport, I.O.W.
Millet, J. N. (Price Waterhouse & Co), Newcastle-upon-Tyne.
Mitchell, F. (Chas. O. Nicholson & Co), Sunderland.
Mitchell, J. E. (Borough Treasurer's Department), Surbiton.
Moore, A. (Williamson, Butterfield & Roberts), Bradford.
Moore, C. H. (T. Harold Platts & Co), Birmingham.
Mossford, F. R. (Walter Hunter, Bartlett, Thomas & Co), Newport, Mon.
Moulsher, K. J. (Frank Haynes & Co), Leicester.
Munro, W. F. (Bolton, Wawn & Co), Newcastle-upon-Tyne.
Murch, R. C. (S. T. Milner), Harrogate.
Murrell, J. S. (George Cobley & Co), London.

Nathan, M. (Lawrence H. Fink), London.
Nesbitt, F. (Atkinson, Smith & Atkinson), Leeds.
Newton, B. (de Paula, Turner, Lake & Co), London.
Nicholas, L. N. (Midgley, Snelling & Co), London.
Nuttall, J. W. (Harold J. Prestwich), Blackpool.

O'Connor, G. R. (Thos. Johnston & Co), Manchester.
Owen, J. T. (R. G. Cotter & Co), Birkenhead.

Parker, G. T. (Saml. Edwd. Short & Co), Chesterfield.
Parr, J. T. (Stanley Blythen & Co), Nottingham.
Parry, H. S. (City Treasurers' Department), Newcastle-upon-Tyne.
Paul, E. F. (Perkins, Copeland & Co), Eastbourne.
Paul, R. W. M. (Baber, Owen & Co), Bristol.
Paxton, G. J. J. (K. W. Buckley), Torquay.
Payne, A. J. W. (Middleton, Hawkins & Co), London.
Pean, D. V. (formerly Borough Treasurer's Department), Stafford.
Pearce, J. C. (Spain Brothers & Co), London.
Pearson, J. R. (French & Foster), Bath.
Pepperell, R. W. (White & Pawley), Plymouth.
Perham, R. N. (Keens, Shay, Keens & Co), London.
Phillips, J. C. (T. E. Lowe & Co), Wolverhampton.
Pollard, J. N. (H. J. Cox & Co), Luton.
Potter, J. B. (City Treasurer's Dept.), Plymouth.
Pugh, R. H. C. (T. W. Abbey), Buxton.
Purdey, J. (Martin, Farlow & Co), London.

Ray, B. C. (William Pickles,) Manchester.
Ray, S. (formerly with D. P. Chatterjee), Calcutta.
Ricks, F. A. (F. Stokes & Ricks), Nottingham.
Ridal, G. (Walter Bell & Co), Sheffield.
Rippington, A. H. (Deloitte, Plender, Griffiths & Co), London.
Roche, C. M. (Thompson & Wood), Hereford.
Rodgers, P. A. (formerly Borough Treasurer's Dept.), Darlington.
Rose, C. G. P. (Learoyd & Longbottom), Harrogate.
Ross, H. A. (Stokes Bros. & Pim), Dublin.
Rowe, G. C. (Harper, Kent & Wheeler), Shrewsbury.
Rowlands, W. F. (formerly with Jennings & Watkins), Neath.
Rust, G. S. (Saffery, Sons & Co), London.

Sanderson, R. (Deputy Borough Treasurer), Keighley.
Sandham, W. K. (James Todd & Co), Preston.
Scarfe, P. (Larking & Larking), Norwich.
Scarry, H. J. (Martin, Savage & Co), Dublin.
Schorah, L. (Wilson, De Zouche & Mackenzie), Liverpool.
Scott, A. P. (John Gordon, Walton & Co), Leeds.
Sear, R. E. (J. R. Watson & Co), Northampton.
Segrave, G. D. (Clifford Towers, Temple & Co), London.
Sidwell, F. B. (Price Waterhouse & Co), Leeds.
Slipper, R. J. F. (Slipper & Co), London.
Smalley, P. A. (Harold J. Prestwich), Blackpool.
Smith, F. L. (A. J. Paul & Co), Redruth.
Smith, H. (Solomon Hare & Co), Bristol.
Smith, L. R. L. (Moore, Stephens & Co), London.
Smith, N. A. (Gray, Stainforth & Co), London.
Smith, P. J. (Rabjohns, Leopard & Co), Worcester.
Spooner, R. (Rawlinson & Hunter), London.
Sterry, J. G. (Kingscott, Dix & Co), Gloucester.
Stocker, G. J. (Armitage & Norton), London.
Stockwell, H. T. G. (Winder & Lloyd), London.
Stone, E. J. (Maurice E. Bulley & Co), Peterborough.
Stout, G. A. (Newman Ogle, Bevan & Co), London.
Stracey, D. S. (Pawley & Malyon), London.
Strudwick, A. (Frank A. Cooper & Co), London.
Summers, N. (Alexander B. Neil & Co), London.
Summers, P. J. (T. Harold Platts & Co), Birmingham.
Suter, L. A. (Tudor Davies), Bridgend.
Sweetman, T. E. (Chas. W. Rooke, Lane & Co), London.
Swinson, A. M. (S. Primost & Co), London.

Taylor, H. G. (Robt. A. Plant & Co), Nuneaton.
Taylor, R. K. (Roland J. L. Ball), Leeds.
Terry, H. W. (Deloitte, Plender, Griffiths & Co), London.
Thompson, D. (A. P. Burton & Co), Keighley.
Tompkins, H. A. E. (Ministry of Supply), London.
Tong, M. (Sir Charles H. Wilson & Co), Leeds.

Trimmer, D. R. (Turquand, Youngs & Co), London.
Tucker, A. E. (Charles Henry Symons & Co), Barnstaple.
Turner, S. R. (Jacob & Haynes), London.

Ulbrick, V. C. (Swallow, Crick & Co), Peterborough.

Vaines, A. H. (Brebner, Allen & Trapp), London.
Van Wtberghe, C. G. M. F. W. (Armitage & Norton), Halifax.
Verlander, A. R. E. (Spofforth & Palace), London.

Wadsworth, K. E. (Walter Harrison & Son), Bradford.
Walker, T. L. (Wykes & Co), Leicester.
Walter, A. E. S. H. (Newby, Dove & Rhodes), Leicester.
Watkins, I. M. Y. (Cassleton Elliott & Co), London.
Wilkinson, S. (Frank Hall), Leeds.
Williams, J. N. (formerly with the late E. W. Williams), Newport, Mon.
Williams, R. E. (Phillips & Trump), Cardiff.
Wilson, A. J. (R. S. Dawson & Co), Bradford.
Winterburn, E. (Henderson & Eastwood), Liverpool.
Wiseman, E. G. (Mathieson, King & Co), London.
Witherden, D. E. (Dunn, Carey & Co), London.
Withey, R. (S. J. Dudbridge & Sons), Stroud, Glos.
Withington, H. (E. O. Mosley & Co), Bury.
Woodley, A. S. (R. M. Blaikie & Co), High Wycombe.
Woods, C. L. (Craig, Gardner & Co), Dublin.
Woolf, L. (Wm. H. Jack & Co), London.
Wragg, D. A. (Larking, Larking & Whiting), Wisbech.
Wright, E. L. (Viney, Price & Goodyear), London.
Wright, K. T. (Lewis, Hillier & Co), Hemel Hempstead.
Wright, R. E. (Keens, Shay, Keens & Co), Luton.
Wymark, D. H. (A. C. Palmer & Co), London.
Wynn-Williams, I. (George Lang & Co), Liverpool.
Yallup, G. E. (Cooke & Staples Parker), Mansfield.

INTERMEDIATE EXAMINATION

Honours Candidates (6)

First Place Certificate and First Prize
Gibson, Peter John (Leslie Furneaux & Co), London

Second Place Certificate
Marriott, James Alan (Hodgson, Harris & Co), London

Third Place Certificate
Hedges, Joseph Askew (Reeves & Young), Canterbury

Fourth Place Certificate
Waudby, Roy (Goldie, Campbell & Robins), Hull

Fifth Place Certificate
Davis, Desmond Frederick (Ernest Webb & Son), Brighton

Sixth Place Certificate
Harrison, James Francis (Turton, Ross & Co), Nottingham

Candidates Passed (311)

Ashington, Straughan, Thomas. *Barnsley*, Noble, John Brian. *Barnstaple*, Camp, Ernest John. *Barrow-in-Furness*, Johnson, Douglas James. *Basingstoke*, Hogg, George Cotter. *Beaconsfield*, Gross, Anthony William. *Belfast*, Boyd, James; Griffith, Thomas John Ferguson; Kirk, James; Lennox, Robert. *Birmingham*, Bowles, David Marshall; Hawkins, Robert Henry Dennis; Hussey, Bernard; Jones, Dennis Emlyn; Proud, Kenneth Harold; Robinson, Brian Frederick; Southall, Ronald Ernest; Tingley, Arthur Pache; Trow, Stanley John. *Blackpool*, Bayley, Roy Grimshaw; Shenton, Thomas Roy. *Bolton*, Culshaw, Geoffrey. *Bombay*, Bhatia, Shanker Mulji, B.COM.; Javeri, Nanobhoy Tehmul. *Bournemouth*, Pelling, Peter George; Stevens, Dennis Edgar. *Bradford*, Dodgson, Clarence; Hardwick, William Derek; Wint, Antony Willis. *Bridgwater*, Day, Donald Francis. *Bridport*, Knight, Philip John. *Brighton*, Caplin, Leonard. *Bristol*, Bevan, Paul Dominic; Jones, Richard Forman Wynn. *Calcutta*, Basu, Prashanta Kumar, B.SC.; Nandi, Jitendra Nath, B.A.; Gupta, Gopal Chandra, B.COM. *Cardiff*, Booker, Eric Sydney; Griffiths, David Rhys Brangwyn; Lamb, John Maurice; Richards, Gerald Meirion; Williams, Roger Martyn. *Carlisle*, Hogarth, John; McPhail, Archibald; Slack, Robert Myles. *Chesham*, Lane, Henry John Noxon. *Chester*, Middleton, Neil Stuart. *Clacton-on-Sea*, Doe, Peter Henry. *Colwyn Bay*, Hislop, John Samuel. *Cork*, Thornton, Anthony Joseph Kevin. *Croydon*, Clark, Norman Arthur Richard. *Darlington*, Chapman, William Robert. *Douglas*, Kneale, John. *Dublin*, Fahy, Anthony; Finch, Terence; Gahan, William Dennis; Keegan, Edward Joseph; Lightbody, John Eugene Michael; Nally, Brian Liam Edward; O'Brien, Patrick Donogh; Tannam, Desmond Henry, B.COM.; White, Thomas Francis; Wildgust, Alan John. *Dudley*, Bengree, John Stephen. *Eastleigh*, Baker, Derek Roy. *Ebbw Vale, Mon*, Stroud, David Arthur. *Edinburgh*, Hamilton, Ian Drummond; Sutherland, Angus. *Epsom*, Humphreys, Leonard. *Falkirk*, Moffat, Festus Ian Walker; Morrison, Ian. *Falmouth*, Trebilcock, Frank. *Fulbourn, Cambs*, Charity, Anthony Noble. *Glasgow*, Wright, Hugh. *Grantham*, Woollatt, Arthur. *Guernsey*, Mollett, Charles Sylvester. *Harrogate*, Morley, William Stephen. *Hitchin*, Davy, Henry Leslie. *Hove*, Allen Kenneth Charles; Wise, Geoffrey Lawrence. *Huddersfield*, Crosland, Bryan Bennett; Owen, Geoffrey Frank. *Hull*, Collins, Peter; Savell, Claude; Hudson, Raymond Frank; Pawson, Wilfrid Stanley; Randerson, Eric. *Ilford*, Goater, Dennis Vincent. *Ilkeston*, Stevenson, Reginald Percy. *Keighley*, Hird, Eric. *Kingston-on-Thames*, Harris, Dennis Percy. *Lancaster*, Kattan, Henry Habib. *Leamington Spa*, Binks, Redvers Gerald. *Leeds*, Balmforth, Geoffrey; Barron, David Fred; Newsome, Jack; Niven, Ian; Rhodes, Dennis; Shippen, John William; Wiggan, Ernest Terrence. *Leicester*, Bentley, Lewis George; Boothby, Harold; Lowe, Ernest Anthony; Naylor, Kenneth Thomas Hedley; Thompson, John Sample. *Leigh*, Johnston, George Thorpe. *Letchworth*, Tutty, Albert Robert. *Lincoln*, Lungley, Denis Arthur. *Liverpool*, Bouchier, Oliver George Edward; Campbell, Kennedy; Chew, Laurence Richard; Davies, Kenneth Arthur; Everitt, Ronald John; Filder, Cyril Herbert; Fishwick, Anthony Noel John; Gittins, Peter Laurie; Jackson, Kenneth William; O'Leary, Francis; Riley, Norman Arthur; Williams, Kenneth Norman. *London*, Aitken, Robert Brunton; Allen, Elliott Peter; Andrews, John Geoffery; Angeloni, Joseph Peter; Baldwin, Talfourd Laurens Humphrey; Becker, Harry; Bentley, George Henry Dexter; Berman, Sidney; Best, Raymond Merrik; Bishop, Keith Marlow; Boffin, John William; Bregazzi, Ronald Alexander; Brown, Alec Charles; Brown, William Alastair; Buckle, Ernest Charles; Chalk, John Leslie; Chaston, Peter Harding; Chignell, Herbert Leslie; Clayman, Arnold Michael; Conwell, Edward Anthony; Cowlan, Robert George; Crane, Derek William; Crane, Robert Ewart Montague; Decker, Raymund Godfrey John; Dubois, Martin Henry; Field, Anthony; Flynn, Charles; Foale, Robert Arthur; Gazy, Ronald Lewis; George, Ernest John; Glover, Douglas Carmen; Good, Derek Henry; Greatbanks, Eric James; Green, Dennis William; Green, Sidney Ernest; Harvey, Norman Leonard; Heather, Ronald Edward; Hickson, Colin Ernest; Hodgson, Douglas George; Hodgson, Leonard William; Hollidge, Brian William; Hopes, Clifford Byles; Hurrell, Roy Alfred; Jacobs, Donald; Johnson, Kenneth Walford; Karunalingam, Arulampalam, B.SC.; Kattau, Arthur; Keane, William; Kelly, John Patrick; Lake, Douglas Johnson; Lemon, Francis Henry; Lewis, David Merfyn, Lightman, David Harold; Livett, Leonard George; Mansfield, Stanley Ernest; Marks, Douglas Bertram; Marr, Derek Percy; Moore, Ernest Charles Richard; Moore, Henry George; Mortimer Alfred Burton; Moses, Harold Leonard; Nixon, Ernest Henry; Nutt, Paul Henry André; Palmer, Arthur Ernest; Pattle, Leslie George; Penfold, Ernest Alfred Charles; Perren, Ambrose; Potter, Ronald Alfred; Prince, Derrick Walter; Pulley, Kenneth; Riddington, Derek Walter; Roberts, Kenneth Thomas; Rowling, Eric Alan; Schrier, Barney; Sergant, Maurice Joseph; Sheridan, Julius; Simmons, Dennis Owen; Sims, James Arthur; Slater, James Derek; Smith, Reginald Henry; Spalding, Stanley Roy; Stephens, Charles Murray; Thorn, Tony William Albert; Tickner, William Keith; Tilson, John Frederick; Titmarsh, Albert James; Treacher, Roy Ernest; Tremlett, Roy Henry Stephen; Wade, Doris Gladys; Wayman, James Fawcitt; Weaver, Dennis George; White, Geoffrey David; Whittington, Robert George; Wilkinson, Derek Lewis; Williams, Leslie Richard; Wilson, Edwin John. *Ludlow*, Jones, Peter Bryan. *Luton*, Wallis, Ivan Edward. *Maidstone*, Fuller, Stewart Alfred; Grimwood, Victor Ernest. *Manchester*, Bower, John Russell Mackay; Caro, Terence Everard; Cheetham, Frank Edmund; Cliff, James Stuart;

Crossley, Bernard; Eakhurst, Geoffrey Samuel; Hodcroft, Derek Wilfred; Lawton, John; Smith, John Roy; Walsh, Clifford; Wood, John Robert. *Mansfield*, Moore, Leonard. *Middlesbrough*, Atkinson, John Anthony; Marquis, Edward; Morris, Anthony; Waggott, Stanley Charles; Worland, Ronald Charles. *Nairobi*, Trundell, Ernest Harry. *Neath*, Morris, Ernest Stephen; Yeo, Leslie John. *Newcastle-upon-Tyne*, Baileff, Kenneth; Bates, Raymond; Philipson, Alan; Rivett, William; Robson, Alan Keith; Searl, Clifford; Watson, Gordon. *Newton Abbot*, Derges, Samuel Derek. *Northampton*, Baxter, John Hardman. *Nottingham*, Allen, Harry; Hazard, Roy Thomas; Morely, James William; Northfield, Ephraim John; Noy, Colin Alan; Slater, John Alfred; Willsher, Frederick; Wilson, Charles Martyn. *Oxford*, Rice, Robert John. *Penzance*, Broad, Harold Percy. *Peterborough*, Fowler, Donald Arthur; Smith, Geoffrey Frank Malcolm. *Preston*, Gilleade, John Kerr; Halsall, Thomas. *Purley*, Watts, Harold. *Rochdale*, Wild, Alan. *St Albans*, Paull, Antony James Barry. *Sheffield*, Cundy, Derek Jackson. Kenneth; Pescud, George Donald; Reaney, Kenneth. *Sligo*, Morris, William Rowlett. *Slough*, Ramsden, Arthur Basil. *Southampton*, Moody, Ronald; Rodaway, Graham Mathieson; Scopes, John Lancelot. *Southend-on-Sea*, Cammidge, Peter Robert; Cluett, Norman Vivian. *Southport*, Hobley, Denis Harry; Moore, Brian. *South Shields*, Charlton, Kenneth. *Stafford*, Turner, Arthur Benjamin. *Stockport*, Hibbert, James Lambert Roger; Sanders, Geoffrey Turner. *Stoke-on-Trent*, Ainsworth, Leslie Norman; Allard, Michael John; Crompton, Donald; Johnstone, Donald Peter; Lawton, William; Rutter, James Edgar. *Stourbridge*, Woolf, Gordon Israel. *Sunderland*, Johnson, Alan. *Swansea*, Evans, John Spencer Protheroe; Johnson, Kenneth James. *Swindon*, Duckett, Arthur George. *Tunbridge Wells*, Chedzey, Ronald Henry. *Wakefield*, Mills, Aubrey Taylor. *Walsall*, Davis, Kenneth. *Waterford*, Kelly, Anthony Francis Leo. *Weston-super-Mare*, Bawden, Ronald Charles; Tozer, Robert Stanley. *Wigan*, Tattersall, Keith. *Wisbech*, Hamilton, Donald. *Wolverhampton*, Jones, Gilbert Arthur; Ward, Dennis John. *Workington*, Smith, Herbert. *Worthing*, Parker, Lucy Jean. *Wrexham*, Ward, Harold; Wright, Idris. *Yeovil*, Hodges, William Raymond. *York*, Ardley, Charles Desmond; Wragg, Charles Edward.

PRELIMINARY EXAMINATION

Honours Candidate (1)

Shapiro, David Leon, London. (*First Place Certificate.*)

Candidates Passed (36)

Names on request to the Secretary.

The next examinations of the Society will be held on May 1st, 2nd, and 3rd, 1951. Completed applications should reach the Secretary not later than Monday, March 19th, 1951.

Summary of Results

	Final	Intermediate	Preliminary	Total
Candidates awarded Honours	4	6	1	11
Candidates Passed	294	311	36	641
Candidates Successful	298	317	37	652
Candidates Failed	273	343	67	683
Candidates Sat	571	660	104	1,335

NOTES AND NOTICES

Personal

MESSRS J. U. HORVITCH & Co, C.A.(S.A.), C.A.(S.R.), consulting accountants, announce that their offices have been moved to 301/4 Bristol Buildings, c/o Marshall and MacLaren Streets, Johannesburg, as from January 1st, 1951. They also announce that in partnership with Mr H. BLOCH, C.A. (S.A.), C.A. (S.R.), and Mr R. L. ROSENBAUM, C.A. (S.A.), C.A. (S.R.), they have established a general practice under the name of J. U. HORVITCH, BLOCH & ROSENBAUM, in Southern Rhodesia, at 4 Anchor House, cor. Fort Street and 12th Avenue, Bulawayo, where Mr BLOCH is the resident partner, and at 31 Stanley Avenue, Salisbury, where Mr R. L. ROSENBAUM is the resident partner.

MR N. T. O'REILLY, F.C.A., announces that as from January 1st, 1951, he has taken into partnership Mr J. W. PARKER, A.C.A., and Mr W. F. BRUNSKILL, A.A.C.C.A. The practice will be continued as before from 34 Lowther Street, Carlisle, and Birbeck House, Penrith, under the firm name of N. T. O'REILLY & PARTNERS.

MESSRS WRIGHT & WESTHEAD, Chartered Accountants, of 1 Martin Street, Stafford, announce that they have taken into partnership, as from January 1st, 1951, Mr W. G. A. B. GARDNER, A.C.A., formerly in practice at 10 Newbolds Avenue, Fallings Park, Wolverhampton, and Mr S. H. C. WADE, A.C.A., who has been an employee of the firm for a number of years. The style of the firm remains unchanged.

MESSRS PRICE WATERHOUSE & Co deeply regret to announce the death, which took place in University College Hospital on January 20th, 1951, of their partner, Mr WILFRID HARRISON, F.C.A.

Obituary

FRANK LLOYD WILLIAMS, F.C.A.

It was with deep regret that we learned of the death of Mr Frank Lloyd Williams, F.C.A., of Liverpool, on January 7th, 1951, at the age of 63.

Mr Williams, who was born and educated in Chester, was admitted an associate of the Institute in February 1910, when he was adopted as a partner by his principal, the late Mr Edmund Meadowcroft Owen in the practice of E. M. Owen & Co, of Liverpool, in which firm he became the senior partner on Mr Owen's retirement in 1934.

He was elected a fellow of the Institute in January 1935, and soon after his election he became an honorary lecturer to the Liverpool Students' Society, specializing in bankruptcy and liquidation, and he was president of the Students' Society in 1923–24.

Mr Williams had been the professional auditor to the County Borough of Wallasey, Cheshire, where he lived, for 28 years, and was well known throughout the country in business circles, and particularly in the North of England and North Wales, by reason of his specialization in the administration of insolvent businesses and estates.

He leaves a widow, one daughter and two sons.

Training for the Professions

This year, the subject of the Cantor lectures of the Royal Society of Arts is to be 'Training for industry and the professions'.

Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A., and Mr Thomas E. Scott, C.B.E., F.R.I.B.A., will speak on 'Training for the professions' on February 19th next. On February 5th, there will be an introductory lecture by Sir Godfrey Ince, G.C.B., K.B.E., Permanent Secretary, Ministry of Labour and National Service, and on February 12th Mr A. G. Beverstock, M.A., B.SC., PH.D., Education Officer, Southern Electricity Board, and Mr F. H. Perkins, B.SC., M.I.MECH.E., Education Officer, I.C.I. Ltd, will speak on 'Training in industry'.

Applications for tickets of admission should be addressed to the Secretary, Royal Society of Arts, John Adam Street, Adelphi, London, WC2.

The Chartered Accountants' Students' Society of London

'The liabilities of auditors to third parties' and 'The profession or industry for the newly qualified accountant?' are among the subjects of professional importance, papers on which will be read and discussed at a meeting in the Oak Hall of the Institute at 5.30 p.m. on Thursday, February 8th. These papers will be the essays which gained the first prizes in the 1950 essay competitions of the Union of Chartered Accountant Students' Societies.

Association of Chief Financial Officers in the Hospital Service in England and Wales

Mr E. Wiseman, D.P.A., A.C.I.S., Hon. Secretary of the Association of Chief Financial Officers in the Hospital Service in England and Wales, has announced details of the activities of the Association, which was formed in June 1950. The Council has held three meetings at the last of which it was reported that a substantial majority of chief financial officers had become members of the Association. There are fourteen branches, one in each regional area in England and Wales; monthly meetings are held. The Hon. Secretary states that the Council is consulting with other bodies with similar objects, and that at the invitation of the Institute of Municipal Treasurers and Accountants four members have been appointed to meet representatives of that Institute to confer on matters of common interest to both bodies.

South Eastern Society of Chartered Accountants

RESIDENTIAL TUITION COURSE AT BRIGHTON

The success of the tuition course for students held in Brighton last year has prompted the South Eastern Society of Chartered Accountants to hold a similar course this year from March 5th to 9th.

The course is to be divided into groups for Intermediate and Final students, so that each candidate may receive lectures appropriate to the stage of his studies. Any chartered accountant student within the area of the Society is invited, and it is hoped that students from outside this area who wish to attend will be able to do so.

The course is to commence on Monday afternoon, March 5th, and will consist of morning and afternoon sessions only – the evenings being left free. Hotel reservations will be made for students requiring accommodation, and, in cases approved by the Committee, a contribution of 10*s* a day will be made from the funds of the course towards the hotel expenses of every student who lives twenty miles or more from Brighton, and is unable to travel to and fro each day.

The fee for the course is £2 15*s* 0*d*, which includes mid-morning refreshments and afternoon tea, and also an informal dinner to be held on Thursday, March 8th. Forms of application have been sent to principals, but any student requiring a form or additional information should write to Mr A. G. J. Horton-Stephens, A.C.A., Hon. Secretary, South Eastern Society of Chartered Accountants, 7 Pavilion Parade, Brighton.

Lecture at Leeds

Mr H. Douglas Bessemer, B.A., F.C.A., will be the lecturer at a meeting of the Leeds, Bradford and District Society of Chartered Accountants on February 6th at the Hotel Metropole, Leeds. His subject will be 'The estate duty provisions of the 1940 Finance Act', and the lecture will commence at 6.15 p.m.

Accident Rate Among Children

In the belief that a great number of road accidents could be prevented by instilling 'road sense' into children from the earliest ages, the Nuffield Organization has recently issued an attractive painting book for youngsters, based on 'safety first' instructions. The second edition of a quarter of a million copies of the book, *Look Before You Leap* has been printed, and will be distributed free by the Nuffield Central Publicity Department, Cowley, Oxford, on application by schools and other interested bodies.

Recent Publications

STUDIES IN ACCOUNTING, by W. T. Baxter, Professor of Accounting, London University. xii+455 pp. 10×6½. 23*s* 6*d* net. Sweet & Maxwell Ltd, London.

PROFITS TAX, by N. E. Mustoe, M.A., LL.B. xxxvi+467 pp. 10×6½. 45*s* net. Sir Isaac Pitman & Sons Ltd, London.

ABSTRACT OF ACCOUNTS OF THE METROPOLITAN BOROUGH OF HACKNEY for the year ended March 31st, 1950. 47 pp. 10×7½. Paper cover. Borough Treasurer, Hackney.

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Our Weekly Problem

No. 31. A RECORD TO BE PROUD OF

'I believe in keeping up to date', said Mr L. U. Sidate, 'by reading *The Accountant* of fifty years ago. Fifty years ago yesterday week *The Accountant* No. 1,364 came out heavily coated in deep mourning for Her Majesty Queen Victoria. Today's issue is numbered 3,972 and in all that time *The Accountant* has never been prevented by strikes or industrial disputes from coming out week by week. A record to be proud of', added Mr Sidate.

Charles jotted down some figures. 'That doesn't seem to work out', he said. 'Ah!' said Mr Sidate, 'you are referring to the occasion when during the fuel crisis in 1947 *The Accountant* like all other weeklies, was prohibited from publishing.'

How many weeks was 'the occasion'?

The answer will be published next week.

ANSWER TO NO. 30. THE LECTURE FEE

If the sum of money received from the bank was £$a : b : c$

	a : b : c	
Less	11 : 6	
	$2b$: $2a$: $2c$	

Then $2b$ is greater than £10; and c must be 6*d*, i.e. $2c$ 1*s*.

The equations are:

$$(20 + b) - 11 = 2a + 2c \text{ (i.e. 1)} - 20$$
$$\text{and } a - 1 = 2b + 1$$

From these a is 18 and b is 8.

The amount Mr Sidate received for his lecture was therefore eight and a half guineas.

The Accountant

ESTABLISHED 1874

FEBRUARY 10TH 1951 VOL. CXXIV NO. 3973

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PROGRESS IN STEEL

THE legal aspects of the Act which is now to bring the major part of the iron and steel industry into public ownership are examined in a special article elsewhere in this issue. The purpose of this survey is to discuss the part played by the industry in the economic recovery of Britain during the last five years. Fortunately, because of its organizational structure and direction, and the prominent place which the industry commands, statistics bearing upon its many-sided activities are readily available. Those quoted in the ensuing paragraphs have been taken from the Monthly Digest of Statistics and the December 1950 issue of the Statistical Bulletin of the British Iron and Steel Federation.

An efficient and expanding iron and steel industry is a *sine qua non* of a large and thriving engineering industry. In the past, however, the progress of the industry has been by no means uniform. Periods of great activity have been followed by years of depression and high unemployment. The varying demands of the capital goods industries have been a major cause of these fluctuations. Since 1939, however, the demand for the products of the iron and steel industry has been continuous and growing. There has been little or no idle capacity, and a major problem has been to produce enough steel to meet current demands and to plan and provide suitable steel-making capacity to cater for the likely demands of the present decade. Steel-making plant takes a very long time to erect and the first steps in the iron and steel development scheme were taken when the industry put forward its development plan shortly after the end of the war. This plan involved the expenditure of about £170 million but this amount has since been increased. It aimed at providing capacity for the production of 16 million tons of steel annually by 1952–53. In actual fact, output in 1950 exceeded 16 million tons. The December Statistical Bulletin suggests that the amended target of 18 million tons by 1955 is now well in sight, although its achievement is dependent upon supplies of raw materials.

Crude steel output in 1938 amounted to 10·4 million tons. Throughout the war it varied between 12 and 13 million tons annually, and in 1946 it amounted to 12·7 millions. The period between the termination of war contracts and the full gearing of United Kingdom production to peacetime needs was utilized by the iron and steel industry to export a substantial volume of finished steel. As the needs of British industry grew, and the position of engineering as the chief producer of exports was established, steel exports had to be curtailed and there arose a shortage in this country. Production in 1947 was hampered by lack of fuel supplies, nevertheless, 12·73 million tons were produced.

Progress during the last three years has, however, been much more spectacular. In 1948 output amounted to 14·88 million tons; last year it reached 16·3 million tons compared with a forecast of 15¾–16 million tons quoted in the Economic Survey for 1950. The 1950 output was, in fact, some 40 per cent higher than the 1935-39 average.

The deliveries of finished steel have kept pace with the increased output of ingots and castings. So much so, that it was found possible in May last to relax steel allocations. A free market for all types of steel except sheet and tinplate has been in operation since then. An increase in the home order load for general steel has been noticeable in recent months but this increase is probably due to a desire to pre-empt supplies in anticipation of defence orders. United Kingdom production of sheet steel in 1950 was one-third higher than the pre-war level but was still insufficient to meet the full demands of the motor industry with its present huge export market. It is expected that supplies of sheet will steadily improve when the new Abbey works at Margam come into operation in the second half of 1951.

The iron and steel industry has made a notable direct contribution to exports. Last year about 3 million tons were exported as such, compared with a pre-war average of 2·3 millions. But it is through the medium of the engineering, shipbuilding and metal-using industries that its greatest contribution has been shown. Exports of these products were nearly three times as great in 1950 as in 1938, and they have now become the backbone of Britain's export trade. This is well illustrated by the fact that total exports in 1950 were 175 per cent of the 1938 level.

Satisfactory as the production achievements of the iron and steel industry have been, they have been matched by similar increases in productivity and efficiency. Changes in productivity can best be assessed by changes in output per man; price considerations provide some evidence of changes in efficiency. The British Iron and Steel Federation have produced figures which show that output per head in steel melting and rolling was 40 per cent higher in 1950 than in 1938. This is considerably above the national average increase. Indeed, a number of large industries show either a fall in productivity or only a small increase. Building and coal mining are examples of such industries. An important factor in this increase has been the adoption of the continuous working week in 1947, but productivity has also been assisted by improvements in plant and equipment, and joint efforts of managements and workers. In this latter connexion, it is of interest to note that the iron and steel industry has a remarkable record of freedom from stoppages due to trade disputes.

It is common knowledge that iron and steel prices have for years been fixed after consultation with the Government. Of late, the Government has taken an active interest in seeing that prices are closely related to the cost of production of efficient units. In spite of the substantial price increases in almost all the industry's raw materials since 1945, advances in steel prices have been infrequent and relatively modest. Moreover the prices of standard steel sections in Britain are now lower than those in every other major steel exporting country in the world, and in many cases substantially so. Increased efficiency in steel making is also shown by the steady reduction which has taken place in the amount of coal required to produce a ton of steel. In 1924, 63 cwts. of coal were so required. In the immediate pre-war years, the quantity had fallen to 41½ cwts.; last year it was 35½ cwts.

But above everything, the iron and steel industry can perhaps take most pride in the progress of its development scheme of which Margam works are but one example, howbeit a very important one. The original scheme was scheduled for completion in 1952–53. Last year work was put in hand which will lead to the formulation of a second plan for completion around 1960. There can be no doubt that in the case of the iron and steel industry, the State will take over an efficient, progressive and virile group of firms. This efficiency is demonstrated not only in the methods described above but also in the research and training schemes established by the British Iron and Steel Federation. The British Iron and Steel Research Association is stated to be the largest co-operative research organization in the world. But a warning note should be sounded. There is some danger that shortages of raw materials may impede the growth of general steel output in the next few months and this will be independent of the ownership of the industry.

THE IRON AND STEEL ACT

by JOHN GAZDAR, Barrister-at-Law

ALTHOUGH this controversial piece of legislation received the Royal Assent as long ago as November 24th, 1949, the consequence of certain amendments to it by the House of Lords was to postpone its operative effect until January 1st last at the earliest but, short of a major political upheaval, it will now come into operation next Thursday, February 15th.

Contrary to popular belief, the Act is not a measure to nationalize the whole of the iron and steel industry and accordingly there are some hundreds of iron and steel firms which are unaffected by it. It does not, for instance, affect all the 2,000 or so firms which have been subject, since 1939, to emergency powers exercised by or with the authority of the Minister of Supply, nor does it affect all the 500 or so firms which up to now have been members of the British Iron and Steel Federation. On the other hand, as has been pointed out elsewhere, the powers which the Act does confer are so wide as to enable the present or any Government to nationalize every other industry – a matter for serious reflection and speculation.

The Iron and Steel Corporation

In the first instance, the Act provides for the creation of a public authority called the Iron and Steel Corporation of Great Britain which, consisting of both full- and part-time members under the chairmanship of Mr S. J. L. Hardie, C.A., at a salary of £7,500 per annum, has in fact already been appointed. As from the 15th of this month, it is proposed to transfer to this corporation the securities of certain companies engaged in 'iron and steel activities', i.e (*a*) the working and getting of iron ore; (*b*) the smelting of iron ore; (*c*) the production of steel; and (*d*) the shaping of steel by rolling. The companies which fulfil this condition for the vesting of their securities are over ninety in number as set out in the Third Schedule to the Act, although one or two of them have recently been removed from the Schedule by virtue of powers conferred on the Minister by Section 11. Those which remain include such famous concerns as Dorman, Long & Co Ltd, The Lancashire Steel Corporation Ltd, and Thomas Firth & John Brown Ltd. These and the rest have been acquired because, whatever their other activities, if any, they operated or owned works, on the date of the publication of the Iron and Steel Bill (i.e. October 29th, 1948), which produced in the years 1946 and 1947 an average annual output of not less than 50,000 tons of iron ore, or 20,000 tons of pig iron, or 20,000 tons of steel ingots (including alloy steel) or 20,000 tons of hot rolled steel. Holders of securities in these companies will be compensated by the issue to them of an amount of British Iron and Steel Stock which is equal in value, in the opinion of the Treasury, to the value of the securities on the general date of transfer.

'Hiving-off'

Pending their actual transfer the Act contains elaborate provisions for the safeguarding of the assets of the companies to be acquired by the Corporation, e.g. onerous leases and agreements entered into or varied since October 21st, 1947, may be disclaimed by the Corporation which may also take steps to recover any loss caused by the dissipation of assets; where, for instance, a company has made payments to its members to reduce share capital (otherwise than by redemption of redeemable securities). At the same time, however, the Minister's wide powers enable him to permit the segregation of assets or 'hiving-off' by

(*a*) approving an agreement or lease, so that it may not be disclaimed;

(*b*) approving the acquisition by a company of the iron and steel works of one of the companies in the Third Schedule and undertaking that the transferee company shall not be acquired. Under this provision with the approval of the Minister, iron and steel works may be kept in private ownership while the company which operated or owned the works passes into public ownership;

(*c*) removing a company from the Third Schedule before the general date of transfer. This has been done, for instance, in the case of Barrow Haematite Steel Co Ltd;

(*d*) approving the transfer of iron and steel works after the passing of the Act in circumstances which would otherwise make the transfer void;

(*e*) approving the transfer of rights in works, inventions and registered designs so that the Corporation may not acquire such rights;

(*f*) approving payments and distributions to members resulting in the dissipation of assets;

(*g*) approving other transactions resulting in the dissipation of assets.

'Publicly-Owned Companies'

Also on Thursday next various other companies are to become 'publicly-owned companies' regardless of their activities while others, which are actively engaged in the iron and steel industry, will not be allowed, after the expiration of three months from February 15th, to produce in Great Britain, i.e. England, Scotland and Wales, an annual output of more than 5,000 tons of iron ore, 5,000 tons of pig iron, 5,000 tons of steel ingots (including alloy steel) and 5,000 tons of hot rolled steel unless they obtain a licence from the Minister of Supply. It is, however, the publicly-owned companies which indirectly give rise to the danger of further nationalization to which reference has already been made for Section 2 (3) of the Act enables the Corporation, with the consent of the Minister, to carry on all or any of the other activities of these companies which are being carried on when the consent is given or which they are authorized to carry on by their memorandum of association or charter of incorporation. Among such activities there may, of course, be included those which are as unrelated to the production of iron and steel as shipbuilding, road building and the manufacture of motor vehicles. This potential threat to industry is therefore one which must never be overlooked in spite of the following assurance of the Minister of Supply when asking the Standing Committee to reject an amendment to clause 2 of the Bill (Section 2 of the Act) moved by the Opposition:

> 'As to the argument that the Bill would make it possible for us to nationalize every other industry, . . . I agree that it would be a wholly wrong and unconstitutional way to do it. The Bill does not enable the Government to do anything of the sort. It cannot compulsorily acquire – which is essential for nationalization – any industry at all beyond those set out in the Third Schedule. . . . It is desirable that the Corporation should not begin with its hands shackled. It is undesirable that it should be completely, rigidly and legally limited to pure holding company functions, for that would be a considerable restraint, it should be in possession of the necessary powers to carry out other activities subject always . . . to the constant vigilance of Parliament and the responsible Government who will see that the body, which must be assumed to be a fairly sensible and reasonable one, does not abuse its position.' (House of Commons Official Report, S.C.C., January 19th, 1949, columns 374, 375.)

Powers and Duties of the Corporation

Apart from those conferred on it by Section 2, the Corporation has the following additional powers: (*a*) to conduct research and to assist other persons who are conducting it; (*b*) to lend and borrow money; (*c*) to acquire and dispose of any property or rights; (*d*) to acquire land by compulsory purchase and (*e*) to promote and oppose Bills in Parliament. It is not, however, exempt from taxation, either general or local (including profits tax).

The general duties of the Corporation are as follows: (1) to promote the efficient and economic supply of the products of the 'iron and steel activities'; (2) to see that such products are available to manufacturers; (3) to further the public interest; (4) to see that no undue preference is shown to, or unfair discrimination exercised against, any manufacturer of steel products; (5) to secure the largest decentralization.

Consumers' Council

Provision is made in the Act for the appointment by the Minister of Supply of a council to be known as the Iron and Steel Consumers' Council whose main function will be to represent the interests of consumers, i.e. persons who use for manufacturing purposes or who are engaged in merchanting any of the principal activities of the Corporation and the publicly-owned companies. Applicants for licences to carry on 'iron and steel activities' may make representation to the Council and both the Minister and the Corporation may refer matters to it.

Stockholders' Representatives

The Act also provides for the appointment of a stockholders' representative for each company whose securities vest in the Corporation. His duty will be to represent the interests of holders of securities when the decision is made with regard to the amount of compensation to be paid in respect of them.

Arbitration

The Iron and Steel Arbitration Tribunal has been set up to determine an infinite number of questions which may be referred to it under the Act and its orders are to be enforceable as if they were the orders of the High Court. Special provisions apply to Scotland.

PENSION SCHEMES

Insurance Against Capital Depreciation in Private Fund

By G. W. G. ARMOUR, F.C.I.I., F.C.I.B.

Investment Problems of Private Fund

RECENT articles on the advantages and disadvantages of private funds and insured schemes may have created the impression that a choice has to be made between providing the required benefits by means of a private fund or by a scheme based entirely on policies.

Before showing that this is not the case, it seems necessary to ask whether many of those who are likely to be trustees or members of management committees of pension schemes are also qualified even 'with the collaboration of the stockbroker and perhaps the advice of the actuary', to obtain the highest possible yield on the funds, and to preserve the security of the capital?

It is most undesirable that the moneys of a pension fund should be invested in the employer's own business, but how many employers have the time to acquire the necessary financial knowledge to judge other investments?

The most successful results can only be obtained by organizations which are large enough to employ trained staff to keep a constant watch on their investments and to pursue an active investment policy.

In the case of a small fund this is impossible, while there is bound to be a loss of interest due to the difficulty of investing promptly the small amounts involved immediately they become available in the form of contributions and dividends. There is also the risk that changes in trustees may give rise to unsatisfactory changes in investment policy.

Provided the investment problems can be permanently overcome, private funds possess many advantages.

Advance Provision for Inflation

One advantage which has perhaps not been sufficiently stressed is the fact that, from inception, contributions can be related to the pensions which will ultimately become payable. For instance, when dealing with a medium-sized clerical and administrative staff with salaries of eligible members amounting to about fifty thousand pounds, one might assume that by the time the original entrants attain normal retirement age their pensions would be based on pensionable salaries of about sixty-eight thousand pounds. In this way allowance can be made in advance for the effect of a certain amount of inflation in addition to normal salary increases.

Provided this estimate is revised, in consultation with the employer and his appropriate professional advisors prior to each quinquennial valuation, a rise in the general level of salaries should never create a situation which cannot be dealt with gradually by a very small adjustment in the contributions.

Under endowment assurance policy schemes the rise in cost in such circumstances is bound to be much more serious as contributions can only be related to current salaries. Under group life and pension schemes the rise in cost to the employer is minimized due to the fact that benefits earned prior to a general increase in the level of salaries remain unaffected. It follows that the resulting pensions may be inadequate.

How much should be payable at death?

A disadvantage of the private fund, at any rate in the case of small and medium-sized firms, is that adequate provision cannot be made for the risk of early death.

Just as the protagonists of private funds tend to minimize the importance of the death benefit as an essential part of a well-balanced pension scheme, so the advocates of certain schemes based entirely on without profits endowment assurance policies appear to over-emphasize this feature. In such schemes death benefits of from five to seven and a half times the current salary are usual, according to the scale of pensions adopted.

Interest Yield under Without Profits Endowment Assurance Policy Schemes

This excessive cover has to be paid for and it naturally adds very considerably to the cost of the scheme or else reduces the pensions which might otherwise have been provided. The fantastic cost of providing pensions by such means is illustrated by the following table which is based on the rates of several life offices, i.e. the rates represent good average rates but not necessarily the best available. The interest yield does not take into account the loss on policies surrendered following withdrawal of members.

Endowment Assurances Without Profits
Payable age 65 or death *Annual premium £10*

Age next birthday	*Sum assured*	*Interest yield*
25	£487	18*s* 9*d* per cent
35	£339	15*s* *od* per cent
45	£210	10*s* *od* per cent
55	£98	nil per cent

Under group life and pension schemes the death benefit provided by the employer rarely exceeds approximately one year's salary and is frequently very much less. In addition, when such schemes are arranged on a contributory basis, the members' contributions are usually returned with 1½ per cent to 2½ per cent interest. In the case of large private funds a similar death benefit is practicable, but many people take the view that a somewhat larger benefit is desirable.

It follows from the foregoing pros and cons, and from the additional points made by Mr J. C. S. Hymans in his recent articles,[1] that some of the essentials of a satisfactory pension scheme can best be provided by means of assurance policies and others by means of a private pension fund.

In spite of this, all pension schemes have one factor in common, by the retirement age of each member there must be available a lump sum sufficient to purchase an annuity for the amount of pension due or out of which such pension can be paid without necessarily purchasing an annuity.

With Profits Policies and Private Fund

The best way of accumulating this sum and at the same time providing reasonable death and ill-health retirement benefits is by means of a combination of with profits endowment assurance policies and a private fund. This fund would be designed to comply with the requirements of Section 32 of the Finance Act, 1921, as amended by Section 19 of the Finance Act, 1930, and S.R. & O. Nos. 1699 of 1921 and 638 of 1931.

The sums assured and bonuses under the with profits endowment assurance policies would be paid into the fund on maturity at retirement age and used together with the necessary balance accumulated throughout in the fund to provide the pensions due.

If an amount equal to 5 per cent of salaries is invested in such policies and the sum assured and bonuses, together with the same amount from the fund with compound interest at 2½ per cent, is payable on the death of a member, the amount payable to the dependants of the normal new entrant will rise from an average of about two years' salary on entry to as much as four or five years' salary shortly before retirement age.

[1] 'Pension Schemes', *The Accountant*, December 9th and 16th, 1950.

Insurance against Capital Depreciation

The balance of the contributions necessary to provide the desired benefits, including any payments in respect of past service pensions, is invested in the private fund. The risk of capital depreciation is completely eliminated as a result of arrangements which are almost unique and certainly are not enjoyed in connexion with schemes based entirely on private funds.

This advantage is secured by placing the amount to be invested on deposit with an old-established life office. The rate of interest allowed is related to the gross rate of interest earned by the office for the previous year. In 1950, funds arranged on this basis earned an effective rate of interest of £3 17*s* 5*d* per cent net. During the past 18 years the corresponding average deposit rate works out at £3 19*s* 6*d* per cent.

Withdrawals can be made at any time without notice for all the purposes of the pension scheme. It may also be mentioned as a matter of academic interest that if a different form of investment were preferred at any time, the whole fund with accrued interest to date could be withdrawn on six months' notice.

Complete protection against capital depreciation combined with an attractive yield are only two of the advantages of this avenue of investment. In addition, the investment of contributions and interest is effected without any of the usual cost of making and managing investments.

Private Fund with Guaranteed Annuity Option

A final unique advantage not enjoyed by any other private fund is that in the case of at least one office the annuity rate guaranteed in connexion with the maturing with profits endowment assurance policies also applies to the balance which has to be withdrawn from the fund in cases where an annuity is to be purchased for the amount of pension due.

The pension need not be bought from the office providing the deposit facilities so the committee or trustees are at liberty to take advantage of any better rate which may be available at the time.

Such a combination of endowment assurance policies and deposits backed by all the security of a life office is perhaps more 'fully insured' than any other type of provision for pensions.

JOHN MAYNARD KEYNES

by W. J. FINDLAY

BY the standards of the ordinary man, the triumphs of the economist are seldom spectacular. They are looked upon as the somewhat arid achievements of a specialist which only another specialist is capable of acclaiming or disproving. To be understood by the layman they would have to be reduced to such simple terms as would rob them of all subtlety, like condensing the cartoons of Raphael to a newspaper comic strip. Accordingly, the economist himself comes in time to be identified with his theories as remote and academic, completely out of contact with the teeming world which he is for ever attempting to catechize and categorize and wholly without influence for good or evil on the destinies of mankind.

A brilliant exception, by any standards, to this narrow view was John Maynard Keynes whose official biography by Mr R. F. Harrod has just been published.[1] He possessed a powerful, probing mind and the additional gifts of wit and imagination, prodigally bestowed on him, served to make him not only a scholar but also a man of action. So intense was his intellectual curiosity that his interests ranged far beyond the confines of economics to such subjects as mathematics and philosophy, and to such pursuits as collecting old books and modern paintings. He was, not in turn, but simultaneously a don, a statesman, a company director and a civil servant. He founded and managed personally the Arts Theatre at Cambridge, restored the glories of Covent Garden and created the British Council. By shrewd speculation, he amassed a personal fortune and increased the free funds of King's College, Cambridge, of which he was First Bursar, more than twelvefold. A pamphleteer of distinction, he also wrote at least two major works on economics of which subject he is already ranked with Adam Smith and Ricardo as being among the half-dozen greatest exponents.

Keynes, like Oliver Goldsmith, 'touched nothing that he did not adorn', but no mere chronicle of his glittering worldly successes can wholly account for the secret of his greatness. There was within him, as Mr Harrod says, 'a flame of goodness' which burned steadily throughout his life. The son of gently-cultured Cambridge parents, both of whom survived him, he was fortunate in having at Eton and King's, and later in London, contemporaries of his own intellectual calibre. In association with them, he worked out a code of ethics, based on G. E. Moore's *Principia Ethica*, which was published while Keynes was an undergraduate. Fortified by it, he and his friends, among whom were Lytton Strachey and Leonard Woolf, claimed 'the right to judge every individual case on its merits, and the wisdom, experience and self-control to do so successfully'. They had no respect for traditional wisdom or the restraints of custom. They lacked – in an age which was full of it – reverence. His friends were later to carry this philosophy to the drawing-rooms of Bloomsbury where they formed the nucleus of a distinguished literary and artistic coterie. Keynes carried it into the world of affairs with shattering effect. He was an iconoclast whose forthright opinions, backed by excellent judgment and expressed in perfect prose and silken, persuasive speech, laid bare the follies and foibles of bankers, politicians and elder statesmen. This devastating directness earned for him, in quarters where his candour was least acceptable, a reputation for arrogance but it was only to his superiors or equals that he could on occasion be rude. To his subordinates he was invariably charming.

Another quality which intrigued his friends and infuriated his opponents was the apparent ease with which he could change his mind. In an argument, when the other side was clinging grimly to its point for fear of losing the thread of the discussion, Keynes would play round the problem and produce a new and audacious solution. The charge of inconsistency was sometimes brought against him, but what his opponents, bedazzled by his dialectic brilliance did not realize, or realized too late, was that he had seen a move ahead and had amended his case in acceptance of a new fact which had not yet dawned upon them.

As Keynes grew older and more mellow, he became aware 'that civilization was a thin and precarious crust erected by the personality and the will of the very few, and only maintained by rules and conventions skilfully put across and guilefully preserved'. As Mr Harrod's book, which is in itself a worthy act of devotion, makes clear, few men in this century have done more to keep the crust from cracking.

[1] *The Life of John Maynard Keynes* by R. F. Harrod. Macmillan & Co Ltd. 25*s*.

TAXATION IN ACCOUNTS

by CHARLES M. STRACHAN, O.B.E., F.C.A.

True and Fair

THE Companies Act requires that the balance sheet shall show a true and fair view of the state of affairs of the company at the date of the balance sheet, and the profit and loss account shall show a true and fair view of the trading for the period. This provision of the Act, which overrides the detailed provisions of the schedules, must be a determining factor in considering as to how taxation shall be dealt with in the accounts of companies.

I am putting forward two general propositions, the application of which will be dealt with as we proceed, namely, that the charge for tax in the profit and loss account for the year should indeed be the tax on the profit disclosed by that account and that the amounts appearing in the balance sheet should indeed cover all present and future taxation which will be payable calculated on the profits to the date of the balance sheet. On this basis the profit and loss account and balance sheet appear to me to give the true and fair views required by the Act.

We shall consider later in some detail how this can be achieved.

Taxation in the Profit and Loss Account

It seems to me that the question of whether the profit and loss account gives a true and fair view of the result of the year can be tested by considering the balance shown by such profit and loss account in relation to the debit in the account for taxation. In this consideration, regard must be had to the increase in the debit for taxation owing to the incidence of 'disallowable charges'. Some items properly chargeable against trading are not allowable for tax purposes; we hope that a consequence of the report to be made in due course by the Tucker Committee will be the bringing about of a closer alignment between trading profits and taxable profits.

I differentiate 'disallowable charges' from expenditure which may be allowable otherwise than in the period in which it is expended. Examples of the latter are deferred repairs, spread pension contributions and also what are now described as capital allowances, that is to say, wear and tear and the like.

Under the Income Tax Act, 1945, the general position is that the cost of capital expenditure is allowed against profits over the period of the usage of the expenditure and an adjustment usually arises on the disposal of the object. Accordingly, in this way taxation accounts are brought into line with company accounts wherein also is written off ultimately the cost less the realization. That being so, it becomes appropriate to consider the possibility of so stating the profit and loss account that the charge for taxation shall bear a direct relation to the balance of the profit shown by the account. A first simple illustration is that if the charge for depreciation were otherwise comparable with taxation annual wear and tear allowance, but there is a taxation initial allowance, it is appropriate to increase the provision for taxation by a transfer to a tax reserve of an amount equal to the benefit of the initial allowance. That is the simple example and I shall refer to the matter more fully later.

As a matter of working practice it seems to me that the accountant, in considering draft accounts to be placed before clients and directors, should make quite sure that if the relation of the debit for income-tax on the profits for the year does not compare with the profit shown by the account as 9 is to 11, he knows exactly where the difference arises. It may arise on disallowable charges as defined above and the measure of these will be known. If apart from that factor, the debit for income-tax does bear this direct relation to the profit shown by the account, then this is a definite step towards satisfaction that the account is true and fair so far as the tax debit is concerned. Of course, when I refer to the profit shown by the account I mean profit before transfers of taxed profits to reserves.

Taxation in the Balance Sheet

As regards the amount or amounts which should appear in the balance sheet in respect of taxation, both present and future, I suggest that for a 'true and fair' presentation the test of the appropriate figures in the accounts is that they should represent the taxation payable if the company goes on trading without profit or loss and on the basis that provisions made in the accounts prove to be of the right amount and on the basis also that the book values of fixed assets prove to be in line with their ultimate realization (subject to an amount equal to tax allowances between the date of the balance sheet and the date of realization). This is the taxation that has arisen out of the profits earned to date and credited in the profit and loss account. Different taxation considerations arise on liquidation, but I suggest that they are not appropriate to the consideration set out above.

These are preliminary observations to indicate the line of thought which will run through this paper.

A lecture delivered to the Leeds, Bradford and District Society of Chartered Accountants on November 28th, 1950, and to the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants on November 30th, 1950.

The Institute's Recommendations

When considering what to say on the subject of taxation in accounts my first thoughts naturally were of the Institute's recommendations. On referring to them I found the very first of them to be germane in that it dealt with a matter of taxation, namely, tax reserve certificates; it recommended that the 1 per cent then allowed on the surrender of such certificates in payment of taxation should be treated as interest and should not be treated as a reduction in the taxation charge.[1] Here we have a pointer to the principle that direct taxation should always be separately expressed and not confused with any other charge or credit.

Recommendation III was entitled 'The treatment of taxation in accounts'[2] and had I been delivering this paper in 1943 might have provided the main burden of my paper, but the effects of subsequent legislation, both by way of Finance Acts and the Companies Act, coupled with other developments, have broadened the basis of what I want to say. Recommendation III, however, may I think, be regarded as the precursor of the provisions of the Companies Act so far as they relate to the statement of taxation in accounts.

Companies Act Requirements

The Companies Act requires that in the profit and loss account there shall be shown:

> 'The amount of the charge for United Kingdom income-tax and other United Kingdom taxation on profits, including, where practicable, as United Kingdom income-tax any taxation imposed elsewhere to the extent of the relief if any, from United Kingdom income-tax and distinguishing where practicable between income-tax and other taxation.'[3]

and also:

> 'Whether or not the amount stated for dividends paid and proposed is for dividends subject to deduction of income-tax.'[4]

It also provides that in the profit and loss account shall be shown

> 'the basis on which the charge for United Kingdom income-tax is computed'[5]

and in the balance sheet

> 'the basis on which the amount, if any, set aside for United Kingdom income-tax is computed.'[6]

The First Requirement

We shall be dealing elsewhere with the basis of the charge and the question of taxation on the profits of the year. I would here first refer to the requirement to show *as* United Kingdom income-tax something which is not United Kingdom income-tax. This, I suggest, calls for some rewording when the Eighth Schedule is revised.

In the meantime, it seems to have been interpreted to mean that whilst foreign taxation may, in general, under the Act be behind the first credit in the profit and loss account, it must, in so far as it is offset by relief from British taxation, be grouped with British taxation. The Act refers only to relief from United Kingdom income-tax, but more recent legislation provides also for relief from United Kingdom profits tax and if it is desired to show the full incidence of British statutory rates of taxation, this relief is of equal importance.

As regards the requirement to distinguish, where practicable, between income-tax and other taxation, I have observed very few cases where this has not proved practicable. It was probably more difficult when excess profits tax, income-tax and provisions for deferred repairs were all unsettled and interrelated.

Dividends Payable

The Companies Act requirement that it shall be shown whether dividends are stated gross or net takes us to Institute Recommendation IV, which reads as follows:[7]

> 'The payment of a dividend to shareholders does not affect the amount of tax payable by a company, the assessment being on the amount of the profits as adjusted for the purposes of income-tax.
>
> 'On the other hand, income-tax deducted upon payment of debenture and other interest, royalties and similar annual charges is in effect assessed on a company for collection from the payee.'

Recommendation

'It is therefore recommended that:

(1) (*a*) Whether dividends are described "less income-tax" or "free of income-tax" the amounts shown in respect thereof in the accounts should be the net amounts payable.

(*b*) Where a company continues the practice of providing for dividends gross the narrative should indicate that the distributions are subject to income-tax. The taxation charge should be arrived at after taking credit for the tax deductible on payment of the proposed dividends.

(2) Annual charges for debenture and other interest, royalties and similar annual payments should be charged gross.'

This recommendation has been almost universally adopted in published accounts and almost universally on the basis of 1 (*a*) though some companies have continued their practice of stating dividends gross with full narration of the income-tax debit to explain the treatment.

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[1] December 12th, 1942, page 5, paragraph 2.
[2] March 13th, 1943.
[3] Eighth Schedule, paragraph 12 (1) (*c*).
[4] Eighth Schedule, paragraph 14 (4).
[5] Eighth Schedule, paragraph 14 (3).
[6] Eighth Schedule, paragraph 10.

[7] March 13th, 1943, paragraphs 32, 33.

Further Consideration

Subsequent legislation has modified the position first set out in the opening words of Recommendation IV. The payment of dividends to shareholders does now affect the amount of tax payable by a company in that profits tax of 20 per cent (subject to income-tax) is payable on profits distributed in excess of the tax which would be payable if such profits were retained. (We will deal later with the contingent liability for distribution charge on profits in relation to which non-distribution relief has been given.)

If, and in so far as, the opening words of this recital give the reason for the adoption of this recommendation, this change in circumstances might imply that the recommendation should be reconsidered. The position remains, however, that the recommended basis of stating dividends after deduction of tax does result in the taxation figure representing the total sum taken by the Inland Revenue out of the profits of the business for the year, on the basis of the distributions and provisions as shown by the accounts. It may well be felt that this figure of total tax is a significant figure and that it is, indeed, a more significant statement than to show the gross amount of dividends which leaves a figure for income-tax which would not, as is usually the case, be comparable with the figure carried to the balance sheet reserve for taxation as taxation on the profits of that year.

This matter is not without importance when considering supplemental summaries showing how the income of the company is disposed of or retained, by way of percentages or pence in the £. In my view it is essential that if the net dividend is dealt with in such a statement it should be specifically so expressed.

Disallowable Charges

Whilst it is certainly not the practice so to show the figures in published accounts it may frequently be found to facilitate the consideration of accounts for management if in schedules to such accounts tax arising owing to disallowable charges is shown as a separate figure.

This has the advantage of showing up the profit which has to be earned to provide for items of capital expenditure for tax purposes written off to Revenue.

Tax on the Profits of the Year

The Companies Act requires the basis to be shown. The Institute recommendation of March 1943 was that income-tax should be based on the profits earned during the period of account. It is interesting to find from a study of published accounts how universal has become the practice of debiting income-tax on the profits of the year. This basis had indeed been gaining ground many years before 1943; my own first experience of the practice was in the days of the assessment on the three years' average by the setting aside of a sum for future income-tax in a year of peak profits. The Institute recommends that where it has not been the practice so to provide additional sums to be set aside until the full provision has been made for income-tax on the profits to the date of the balance sheet; this problem will in a new business amount to setting aside four years' tax out of three years' profits – I take this period because it usually covers the period of the incidence of new business reliefs – and this is usually achieved by reserving for future taxation sums which would otherwise be available for other reserves, until the future tax requirement is fully covered.

Where it has not been possible to set aside the full future requirement the wording might be 'reserve towards future taxation.'

Before we consider the many accounting aspects on the consideration of taxation on the profits of the year let us further consider the position under the Companies Act.

Provision or Reserve

First of all, let me say that where the basis has been to charge in the accounts future income-tax on profits earned to date, a part thereof does not normally come within the Companies Act definition of a provision. It is not, however, in my view, of the same nature as the reserves which are properly classified as shareholders' funds. I will state my view first and then briefly discuss it.

In my opinion the best practice is for the item not to be included with other reserves which fall within the total of shareholders' funds nor to be included under the heading of creditors and provisions, but to be shown in the balance sheet under a separate heading. If, out of respect for the views expressed in the Institute booklet on the Companies Act, it is desired to refer to this sum as 'reserve for future income-tax' then no harm is done, but I observe in a good many accounts where the same general treatment is adopted the word 'reserve' is avoided. Although the Institute booklet on the Companies Act declares this to be a reserve I do not see any objection to a reserve, special in its nature, being separately stated, just as it is recorded that the Board of Trade sees no reason why on the other side of the balance sheet subsidiary companies should not have a separate heading apart from the headings Fixed Assets and Current Assets.

Let me give two reasons quoted to me by an eminent accountant who, in the light of practical experience, had come round to the view that these sums set aside for future taxation should not be grouped with shareholders' funds.

If the company continues to trade and in the next year makes neither profit nor loss no tax debit or credit will appear in the profit and loss account and the sum in the opening balance sheet will be precisely exhausted by tax payments. How then was the item of the nature of a reserve aggregable with shareholders' funds?

If the business has varying profits and provides for tax thereon, and then pays out the whole of the balance as dividend, would it be a 'true and fair'

statement to show the aggregate shareholders' funds varying up and down year by year as they would if this item were included with reserves?

I find by reference to printed accounts that a great many – and I think an increasing number of – companies are adopting the basis which I suggest is good practice; I was interested to hear that counsel's opinion obtained on behalf of the Scottish accountancy bodies was in favour of the propriety of that treatment.

I should just refer to the suggestion that as the reserve for future income-tax cannot be regarded as a distributable reserve, it should be classified as a capital reserve (Mr Clayton in *The Accountant*, May 11th, 1950). I was interested to find it so expressed in the accounts of one important company, the heading of the item of capital reserves being amplified to say 'capital reserves meaning non-distributable reserves'.

Clearly it is not really of the nature of a capital or a revenue reserve since it represents money which will be paid out to the Inland Revenue.

Measure of the Reserve

The next point that calls for consideration is the measure of that proportion of the amount falling to be included in the balance sheet which is to be regarded as a liability or provision and that proportion which is to be classified as a specific reserve.

The amount which has been set aside covers a period extending beyond the date of the balance sheet. If the accounts are made up to March 31st it extends one year beyond; if to December 31st, 15 months beyond; if to April 30th, a year and 11 months beyond.

Except in those cases where the whole liability for the current year has been paid – to some extent in advance of the fiscal year to which it relates – before the balance sheet date (which might well happen on a January or February make-up), there will be a liability to be included in creditors. It is in some cases the practice to treat the whole of the tax for the current fiscal year as a liability, whatever the date of making up the accounts; this does not seem to me to be correct and this is exemplified by considering accounts made up to April 30th and June 30th. In my view, the best practice is to apportion the tax to the date of the balance sheet; this seems to be the view taken by counsel in considering the accountancy aspects of the Companies Act and that being so it may perhaps be regarded as overriding the universality of the Institute's recommendation in 1943 that income-tax in respect of the fiscal year commencing after the date of the balance sheet should be grouped with the reserves or separately stated.

In the simple case, however, of accounts made up to a date between December 31st and April 5th, it may be a clear presentation to adopt the 'current year basis' and to show as future income-tax the taxation for the fiscal year (named) commencing after the date of the balance sheet, but I would emphasize that the due date of the tax has no bearing on the principle any more than the date on which rates are payable has on the apportionment of rates. Moreover, in any case, as we shall see presently, the future tax reserve, properly made, will frequently not be precisely the tax payable in the next year.

Movements in Reserves

Whilst referring to the Companies Act, one must not fail to comment on the fact that whereas the Companies Act requires movements in reserves to be shown, it does not appear to be the general practice in stating accounts to adhere pedantically to the Act as far as concerns sums set aside for future income-tax. The statement in the profit and loss account of tax on the profits of the year is a clear indication that this is a transfer to a reserve for future income-tax in the balance sheet and it is clear that the tax falling due during the year has been charged against such reserve. I have in some cases seen the position elaborated to a strict compliance with the Act without such treatment yielding any clarity or information. In some cases it is necessary and proper that the detail should be given by note or otherwise of the movements in the reserve for future income-tax.

Other Institute Recommendations

Before proceeding to consider further practical problems which will lead us back to the amounts to be included in the profit and loss account and balance sheet, I would just refer to other points of principle dealt with in Institute recommendations.

Income-tax on Revenue taxed before receipt should be included as part of the taxation charge for the year and the relative income should be brought to credit gross. We have already seen that charges for interest, royalties and other items from which tax is deducted on payment should be charged gross and the tax deducted should be credited against the charge for taxation.

Trust Accounts

Whilst referring to the grossing up of debits and credits in company accounts, I would direct attention to paragraphs 52 to 55 of Recommendation XIV on 'The form and contents of accounts of estates of deceased persons and similar trusts' which read as follows:[1]

'Income-tax

(52) The charge for income-tax should normally represent the full charge falling on the estate income, namely, tax under direct assessments plus tax deducted at source less tax recovered under repayment claims by the trustees and tax deducted from payments. This necessitates the inclusion of interest, annuities and similar items at the gross amount (whether or not tax was deducted by the trustees) and the inclusion of income at the gross

[1] August 12th, 1949, pages 24 (liv) and (lv).

amount (whether or not received less tax). Such treatment, besides showing the true incidence of income-tax on the trust income, facilitates comparisons with income and expenditure of other periods.

(53) If the income-tax details are considerable it is desirable to show them in a separate schedule.

(54) Where the income-tax charge arrived at in accordance with (52) above does not represent income-tax at the standard rate on the estate income, the position should be explained by note or narration and if necessary in the schedule. This position may arise, for example, where trustees pay income-tax under direct assessments after deduction of life-tenants' personal allowances, or where foreign income or other complications arise.

(55) In some cases it may not be practicable to follow the normal procedure referred to in (52) above; for example, where there are special difficulties arising from annuities free of income-tax and sur-tax. In such cases the income account should indicate clearly the treatment adopted.'

Taxation on Profits left Abroad

I think I have now referred to the matters which arise on the Institute recommendations and on the Companies Act but there is a reference to taxation also in the notes by the Taxation and Research Committee on 'Group accounts in the form of consolidated accounts', distributed by the Institute to its members.[1]

After referring to providing, as a minimum, for all tax due and payable on profits earned in the United Kingdom or abroad, in present and future assessments, the notes refer to

> 'any additional sum set aside to reserve (in whole or in part) for taxes which would arise on the distribution of profits retained overseas'

and state that any such additional sum should be treated in the same way as United Kingdom future income-tax. You will appreciate that this item will normally arise only on consolidation as each individual company will have provided for its own taxes but this is a further liability which would arise if undivided profits of a foreign company were brought to the United Kingdom. The notes go on to say that whatever method be adopted it should be indicated clearly in the accounts, but I should just like to refer briefly to the alternatives.

The view might be taken that it is possible that the whole of the profits of these overseas companies belonging to the British holding company will ultimately be brought here for the purpose of distribution and that therefore tax which would be payable by way of foreign distribution charges and British charges on remittances should be calculated and set aside in consolidation.

There is the view that this is not practicable in so far as the profits have been employed to provide capital for fixed assets acquired by foreign subsidiaries and that although these fixed assets may be amortized out of current profits it is reasonable to assume that the amount so set aside will be employed ultimately for replacement or for further capital expenditure so that the profits already tied up in fixed assets will never be available for remittance and that any provision should have regard only to the practical possibilities of remittance of profits which might be available out of floating assets.

There is a third view that the provision is incalculable and should be referred to by note.

The notes on group accounts to which I have referred go on to say that if no additional sum has been set aside to taxation reserve it may be desirable if the amount is substantial to indicate by note either:

(*a*) the amount of profits of overseas subsidiaries that have not borne United Kingdom taxation and local distribution tax (if any) with any observations which may be appropriate in regard to the taxation position; or

(*b*) the approximate liability to additional taxation which would be incurred if the profits retained overseas were brought to the United Kingdom.[2]

Now, here, we have a difficult academic problem which must be approached by directors and accountants from the practical aspect. If a subsidiary company abroad with £100,000 capital has over a long period built up a million pounds worth of fixed assets and has reserves of £900,000 employed therein, it is a question whether a fair picture is presented to shareholders if there is a note on the consolidated balance sheet to say that £900,000 has not borne United Kingdom taxation or local distribution tax when there is no commercial possibility of its ever being remitted and having to bear that tax. (It may well be converted into share capital of the foreign company but this is not the time or place to consider the treatment in the accounts in the United Kingdom if this is done.) On the other hand there may be a large sum of profits carried in current reserves and profit and loss account balances which are fully available for transfer to the United Kingdom if the balance of utility in the United Kingdom exceeds the utility abroad and the cost in taxation. In such a case it is strongly recommended that on a practical consideration of the whole position by the directors and their advisers the directors should arrive at a figure to set aside in the consolidated accounts which they could satisfy the auditors represented a 'true and fair' presentation of the accounts.

Contingent Distribution Charge

The consideration of the foregoing brings to mind the position in regard to profits tax relief; where profits tax non-distribution relief has been granted it may well be only a temporary benefit. When the profits on which the relief is granted are paid out, even if it is only in the ultimate eventuality of liquidation, there is a distribution charge.

[1] May 1949.

[2] Page 12.

In very few accounts have I found reference made to this contingent liability. The view seems to be taken that it is an incident of the future distribution of profits whether by way of dividend or in liquidation, though this view is not universally held and the contrary opinion was strongly expressed in *The Accountant* in a letter by Mr E. Duncan Taylor on November 12th, 1949.[1] I think an argument can be made for regarding the contingency of liquidation as one not to be brought into account from the point of view that on such an occasion there are other taxation terminal adjustments. I have in practice had the experience of the reserve for future taxation (intended to cover income-tax in future fiscal years) turning out on liquidation to be sufficient to cover this other terminal contingency of a distribution charge.

If, on the other hand, in a fluctuating trade it is the practice to divide less than the profits of good years with the intention of paying a steady dividend even in a bad year, then as the balance carried forward will not all be available for distribution it may well be appropriate to make provision for contingent distribution charge; a reserve for equalization of dividends would otherwise not all be available for its avowed purpose.

Any amount so set aside is of the same nature as an amount set aside for future income-tax.

Some accountants find it difficult to justify the complete absence of reference to a contingency which is inherent in the carrying forward of post-1946 profits.

Group Accounts: Outside Shareholders' Funds

Referring back to the consideration of group accounts I should just like to refer to two additional points which arise. From what I have said you will, I expect, have realized that I would consider that for the true and fair presentation of consolidated accounts, the treatment in calculating outsiders' interests should be to regard sums set aside as if they were provisions and not as if they were shareholders' funds, because they have to go out in taxation in due course.

Absorptions

The consolidated accounts of a holding company and its subsidiaries are, according to the Act, to be drawn up as though it was one business; accordingly, where a subsidiary is absorbed by the parent company (by liquidating it and taking over its assets) the accounts should not be different. Reserves for future income-tax in the subsidiary become available for that purpose in the holding company. This is subject to any difference in the cost of tax to the group by the effect of opening and closing business adjustments.

I would go further and say that in my view, if it is the custom of the holding company (as is now almost universal) to set aside sums to meet future income-tax on profits to date, then on the acquisition of a subsidiary I think it is sound to bring in the new subsidiary on that basis and that there is no onus on the holding company to provide an extra year's taxation on the new business out of future profits.

Initial Allowances

I made a brief reference, at the beginning of my remarks, to initial allowances. You will all have been interested to observe in *The Accountant* on September 2nd, 1950, a reference to a remark in an auditors' report that

> 'the amount of £127,687, equivalent to initial allowances claimable in respect of the year, included as depreciation, is in our opinion in excess of immediate requirements for that purpose and should have been dealt with as an appropriation to reserve.'

You will have in mind the provision of the Companies Act that

> 'where any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, not being an amount written off . . . before the commencement of this Act . . . is in excess of that which in the opinion of the directors is reasonably necessary for the purpose, the excess shall be treated for the purposes of this schedule as a reserve and not as a provision'.[2]

It is for the directors to say what in their opinion is necessary, though it would seem exceptional that on new construction 40 per cent, as well as annual allowance, should be appropriate to the period.

This by way of introduction to an observation that the consideration of accounts shows that it is almost universally recognized that if the taxation payable on the profits of the year is reduced by material sums in respect of initial allowances then in view of the fact that this is only a temporary taxation benefit, an appropriation should be made in some way to reserve for future income-tax to cover the additional tax liability which will arise in future. I observe with interest that several large concerns which in an earlier year or years had set aside as additional depreciation an amount equal to initial allowances have retrospectively reversed that treatment and for the current year also have dealt with the matter through the reserve for future income-tax.

The fact that the incidence of initial allowances is different for profits tax than for income-tax is an added complication in considering the true and fair statement of the accounts and the shown adjustment of the debits for tax by reference to the benefit of initial allowances or other appropriate treatment. It is, I fear, difficult to hope for legislation to bring the allowances into line unless one has faith to hope for the abolition of the profits tax.

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[1] *The Accountant*, Vol. CXXI at page 517.

[2] Eighth Schedule, paragraph 27 (2).

Contingent Balancing Charges

Subject to qualification in regard to older buildings, in so far as the book value of fixed assets is more than the income-tax written-down values there are contingent balancing charges. I have already referred to the fact that in the end wear and tear allowances and provisions for depreciation are brought into line on the disposal of the assets. The nature of fixed assets differs widely and in some cases the ultimate disposal is scarcely a matter of immediate practical consideration, but in relation, for example, to steamships, motor vehicles and other items of plant with a definitely individual life, it may well be practicable to ensure that the reserve for future income-tax includes tax on the difference between the book values and the taxation written-down values. So to do accords with the practice of tax in the accounts being tax on the profit shown by that account.

Practical Application

In discussing with other accountants the matters to which I have referred it has been suggested to me that it is impracticable, complicated or difficult to keep the taxation in the profit and loss account and the balance sheet in line with the principles which I have set out as being that which gives a true and fair view of the position so that the debit in the profit and loss account is directly linked with the profit shown by that account and the taxation items in the balance sheet correspond with the ultimate future payments. Practical experience shows this not to be so. When the accounts are being made up, regard must be had to the appropriate taxation computations based on past and present profits and information is available as to debits and credits dealt with in the accounts which will only be effective in subsequent taxation computations.

Profit and Loss Account

If we are setting out to charge in the profit and loss account tax on the profits shown by that account, then the amount we carry to reserve for future income-tax will frequently be a different figure from the tax payable on the next year's assessment.

Circumstances we have met in which this may occur are where there is a charge for deferred repairs or for pension payments spread for taxation, where the Inspector makes adjustment varying the basis of bad debts or oncost in work in progress. Or an interesting example arises where a company carries own accident risk, provides for all claims but only has them allowed for taxation when quantified (*James Spencer & Co. v. C.I.R.*).[1]

If £1,000 is provided for claims which do not reduce tax in the next assessment, but will do so in a subsequent assessment, then the provision for tax on profits of the year should be on the profit shown after debiting the provision for claims, though this is less than will in fact be the amount of the next assessment. In the year in which the items are quantified and allowed for tax, the position works itself out – the profit and loss account is not distorted and the lower tax payment is fully provided in the reserve for future income-tax.

The same principle of statement of tax in the profit and loss account and in the balance sheet applies *per contra* to payments properly spread over a period of years in the company's accounts but immediately allowable for tax.

Balance Sheet

For balance sheet purposes it is not difficult to tabulate all tax which would be payable on computations based on profits to date and to adjust this figure in respect of the known sums charged in the company's accounts, ultimately allowable but not yet allowed for taxation, and any other factors affecting the consideration of tax payable.

I have referred to the fact that if the debit for tax is to be the tax on the profit shown by the account for the year, adjustment must be made for any amount by which the book value of plant etc. exceeds the tax written-down value. On assets with a definite life, such as ships, it will be desirable to have regard to this factor either in the general amount set aside for future taxation, or as a specific provision for contingent balancing charges. It will be appreciated that losses or wear and tear carried forward are in themselves a provision against such contingent balancing charges. In a concern with a great variety of plant having material variations in life and not likely all to fall for renewal within a relatively short period, it may not be felt necessary to make adjustment in the accounts for this factor.

The aggregate sum to be included on the balance sheet for taxation will fall to be divided between the present liabilities and the future specific reserve. The bringing into account of the debit for tax on the profits for the year should result in the ledger account being in accord with the sum arrived at on the above tabulation.

One other thing, however, we must regard, and that is to ensure that the legal liabilities – the amounts presently payable – are covered on the liabilities side of the balance sheet. There may be justification for upholding as an asset as I have seen done in several cases, for example, 'Future benefit of tax allowances on deferred repairs' where there is present tax to pay and no net future liabilities, but, for example, a large gross provision for deferred repairs included in the provisions.

Conclusion

I feel that in regard to such meetings as this unless the person giving the paper is expounding authoritatively some new legislation or development, in which case the questions and answers may be of great value, the greatest value is in the discussion and I have not refrained from putting forward views which might be controversial.

[1] Court of Session, May 31st, 1950.

WEEKLY NOTES

The Institute's Examinations

At the examinations of the Institute held in November 1950, there were 1,041 candidates for the Final, of whom 444 (42 per cent) passed and 597 failed. The percentage of passes was the same as that for the May 1950 results. The First Certificate of Merit, the Institute Prize, the 'W. B. Peat' Medal and Prize and the 'Plender' Prizes for the Advanced Accounting (Part II), the English Law (Part I), and the English Law (Part II) papers, were awarded to Mr Yashbir Singh Tayal, of London; the Second Certificate of Merit, the 'Walter Knox' Scholarship and the 'Frederick Whinney' Prize were won by Mr Cyril Figov, of London.

In the Intermediate there were 1,098 candidates, of whom 513 (46 per cent) passed, the same percentage as for the May 1950 results, and 584 failed, with one candidate disqualified. The First Certificate of Merit, the Institute Prize and the 'Plender' Prizes for the Book-keeping and Accounts (Limited Companies), and the Taxation and Cost Accounting Papers were won by Mr Dudley Lawrence Range, of London; and the Second Certificate of Merit and the 'Robert Fletcher' Prize by Mr Gerald Alan Pearlman, of London.

In the Preliminary, a total of 265 candidates sat; of these 110 (41 per cent) passed and 155 failed. In the May 1950 examinations 39 per cent passed.

The full list of successful candidates in all three examinations, together with a summary of the results, appears elsewhere in this issue.

Fuel Cuts for Industry

As has been expected for some time, cuts in the supply of coal and coke to industry have had to be imposed in order to give the economy a reasonable chance of getting through the winter months without a serious breakdown. Industry is to be afflicted with 'under-deliveries', to use the official euphemism, and, in addition, the railways are to cut off-peak train services to make a further small contribution to conserving coal stocks. In this way it is hoped to keep the power stations and the gas works going without serious interruptions to gas and electricity supplies.

A complicated allocation scheme has been turned down in favour of a simple all-round cut. All firms will have to accept a short-fall of 15 per cent in their normal supplies. Special measures are to be taken by regional officers of the Ministry of Fuel and Power where stocks are very low. On the other hand, firms which have had the foresight to stock up in anticipation of the emergency are not to be indiscriminately penalized. Firms will be allowed to have on hand six weeks stocks and still qualify for the general ration. Gas coke supplies will be reduced by 10 per cent, but blast furnaces and foundries will not be cut.

Dislocation and confusion following this step will not be limited to the fall in supplies. Industry will get less coal and will have to pay more for it. Pithead prices are going up 4*s* 6*d* a ton. There is thus to be a reversal of long-term policy in the coal industry for the immediate need for coal is forcing the National Coal Board to expand opencast operations.

Two other factors can yet help to soften the blow of a fuel shortage. First, there is the inflow of coal from the United States, which is now coming in at about 90,000 tons a week. Second, there is the possibility of higher output from the miners, a factor which has not been as important as had been hoped when an extra Saturday shift was accepted by many pits a few weeks ago.

New Savings Series

New series of national savings certificates and defence bonds were announced last week. Both carry a higher rate of interest than the current ones. In the case of the savings certificates, the effective rate of net interest over a ten-year period is £3 0*s* 11*d* compared with £2 13*s* 2*d* on the old series. The rate on the defence bonds is raised from 2½ to 3 per cent. Maximum holdings to be permitted in savings certificates are 500 units at a cost of £375. There is no change in the maximum holdings of defence bonds. This is £2,500 of any series or combination of series.

The new certificates have been under consideration and preparatory work has been going forward since last summer. Nevertheless, the announcement of a new series at a higher rate of interest is timely. Such new savings as can be mopped up by a more attractive rate of interest are bound to contribute to the fight against inflation.

The query is how much more effective an additional 10*s* per £100 is in these days of high prices. It is not likely that by itself this bait to the small saver will be important. But the fact of a rise in the rate of interest may bring the certificates to the attention of the public, and increase the enthusiasm of the workers in the savings movement, at a time when goods are becoming increasingly scarce in the shops. In short, this may be a case of inflation helping the savings movement, just as happened during the war, because the public cannot find goods on which to expend their incomes.

Last Year's Fire Bill

Compared with 1949, there was a small reduction in the cost of fire damage in the year 1950. The figure was nevertheless higher than that for 1948 and 1947. The total for last year was £19·6 million as against £22·5 million for 1949.

Some increase in fire losses is to be expected at a time when the general price level is rising. But an annual bill of this dimension is still very high, representing as it does about 2 per cent of the national income.

FINANCE AND COMMERCE

Reinvestment of funds taken out of vesting steel shares has brought more active conditions to stock markets than for some years past. Industrial and commodity equities have been in demand at persistently advancing prices. Only the gilt-edged market has remained dull and neglected.

Raleigh Accounts

We reprint this week the accounts of Raleigh Industries Ltd, the main theme for this purpose being the measures taken to comply with the Eighth Schedule of the Act. The directors open the subject high up in their report which says that, in order to comply with the provisions of the Eighth Schedule, the method of dealing with depreciation of plant and machinery has been altered and excess depreciation amounting to £179,892 has been transferred from provision to capital reserve. As and when the balance standing to the credit of provision for depreciation is no longer in excess of the amount which is reasonably necessary for the purposes, the report continues, the treatment of the charge for depreciation will be revised accordingly.

The 'special reserve to meet excess replacement cost of fixed assets' into which the £179,892 has gone, now amounts to £953,792. Note 6 to the accounts shows how the total is made up of the opening balance of £500,000, the £179,892, £4,340 surplus on realization of fixed assets and £269,560 appropriated from profit and loss account.

Explanatory Note

Note 9 on the accounts deals with the item 'depreciation of fixed assets – £135,822'. This figure is made up of £96,600 depreciation on plant and machinery, £16,996 on buildings (including leasehold amortization) and £22,226 on other equipment. Note 9 then goes on to explain that the 'charge against the profits for the year for depreciation of fixed assets is the amount which the directors consider necessary in respect of the year's usage thereof having regard to the cost price and the probable life of such assets. In recent years', the directors continue, 'the depreciation charge was calculated on a different basis and the amounts were included in respect of initial allowances on capital expenditure incurred during the year; had this basis been adopted for the current year the charge would not have been materially different.'

In regard to plant and machinery, the directors express their opinion that having regard to original cost and probable remaining life, the accumulated amount set aside for depreciation at July 1st, 1948, was then, and still is, in excess of that reasonably necessary for the purpose. The transfer to the capital reserve is then explained and it is further shown that the £179,892 is made up of £83,292 for the year to August 20th, 1949 (after deducting £250 on assets since sold) and £96,600 for that year to August 26th, 1950. The relatively small amount in respect of the period from July 1st to August 21st, 1948, has been ignored.

Braid Preference Dividend

A point of general interest arises out of the chairman's review accompanying the accounts of Braid Group Ltd. Mr Robert Braid, the chairman, refers to the payment during the year of the preference dividend due on August 1st, 1950. He reminds shareholders that the dividends for the two previous half-years were met by certain of the directors. The question arose when considering the August 1st payment whether it would be proper for the company to make the August 1st, 1950, payment before extinguishing the arrears due to be paid to the directors concerned.

Legal advice was sought and the directors were assured that in accordance with the Companies Act it would be in order to make the August 1st payment without first of all paying back to the directors the amounts advanced by them for the previous dividend payments.

It is hoped to settle these arrears along with the next preference dividend due on February 1st, 1951, and provision has been made in the accounts in anticipation of this being possible.

To Pay Death Duties

'Everyone occupying a responsible position in industry', says Mr H. Nutcombe Hume, as chairman of The Charterhouse Investment Trust Ltd, 'must make it part of his duty to see that his employees understand the simple truth that growth and development is greatly restricted by current income and profits tax and that the very business itself may be destroyed by death duties.'

Mr Hume is well placed to speak on this subject. It is to such financial institutions as the Charterhouse Finance Corporation that proprietors of private companies go for financial assistance. 'Hardly a working day passes', Mr Hume says, 'but we are asked if we can help the proprietors of a private company to dispose of part of their holdings so as to prepare for or to pay death duties.'

'A high proportion of the proposals', Mr Hume continues, 'would have to be rejected in any case as unsuitable but the position is further deteriorating because the very same process of taxation is constantly weakening the investor's capacity to buy and the market is always narrowing.'

Money Market

With applications totalling £336,410,000 for the £230,000,000 of bills offered on February 2nd, the market's allotment of Treasury bills was reduced to 54 per cent of requirements against 61 per cent the previous week. The average rate was 10*s* 2.52*d* per cent. This week's offer is increased to £250,000,000. There is no call against Treasury deposit receipts.

Consolidated Balance Sheet as at August 26th, 1950

	£	£	As at August 20th, 1949 £	£
Capital, Reserves and Surplus:				
Authorized and Issued Share Capital of Raleigh Industries Ltd		2,250,000		2,250,000
Capital Reserves:				
Excess Profits Tax Post-war Refund	296,208		296,208	
Special Reserve to meet excess replacement cost of Fixed Assets (See Note 6)	953,792		500,000	
		1,250,000		796,208
Revenue Reserves and Surplus:				
General (see Note 7)	1,000,000		720,000	
Pensions and Superannuation	—		100,000	
Sports Ground Improvements	25,000		25,000	
Contingencies	100,000		100,000	
Unappropriated Profits carried forward:				
Raleigh Industries Ltd £2,734			2,086	
Other Companies £508,320			474,639	
	511,054			
		1,636,054		1,421,725
Future Income Tax liability (1951-52 Assessment)	495,000		418,456	
Reserve for Equalization of Taxation (see Note 8)	29,064		—	
		524,064		418,456
Total Shareholders' Interests		£5,660,118		£4,886,389
Represented by the following Net Assets:				
Fixed Assets:				
Freehold and Leasehold Land, Factories and Properties, at cost	925,649		848,532	
Less Provision for Depreciation of Buildings	259,368		243,106	
		666,281		605,426
Plant and Machinery, at cost	1,449,025		1,283,812	
Less Provision for Depreciation (see Note 9)	859,190		946,313	
		589,835		337,499
Other Equipment, at cost	217,678		180,826	
Less Provision for Depreciation	132,651		108,463	
		85,027		72,363
Goodwill (see Note 10)		1,181,536		1,163,587
Total Fixed Assets		2,522,679		2,178,875
Investment in Subsidiary Company:				
(Now included in Consolidation)				
Shares held	—		2,884	
Balance on Current Account	—		43,428	
				46,312
Current Assets:				
Stock in Trade and Work in Progress	1,729,509		1,568,096	
Debtors (including Gradual Payment Accounts), Bills Receivable and Payments in Advance, less Provisions for Doubtful Debts and Discounts	1,655,011		1,453,553	
Trade Investment (at Cost)	15,000		—	
British Government Securities (Market Value £1,540)	1,504		1,504	
Tax Reserve Certificates	1,100,000		850,000	
Cash at Bank and in hand	426,038		413,237	
Total Current Assets	4,927,062		4,286,390	
Deduct:				
Current Liabilities:				
Trade Creditors and Accrued Charges	934,553		753,523	
National Taxation	659,536		680,040	
Provision for Deferred Repairs and Rehabilitation Expenses	41,534		72,000	
Proposed Dividends (Net)	154,000		119,625	
Total Current Liabilities	1,789,623		1,625,188	
Total Net Current Assets		3,137,439		2,661,202
Total Net Assets		£5,660,118		£4,886,389

Subject to Notes attached.
HAROLD BOWDEN
G. H. B. WILSON } *Directors*

Consolidated Profit and Loss Account for the year ended August 26th, 1950

	£	£	Year ended August 20th, 1949 £	£
The Trading Profit of the Subsidiary and Sub-Subsidiary Companies, after deducting the cost of materials and labour and all expenses of manufacture, distribution and administration (other than those specified below) amounts to		1,681,984		1,472,764
From this are deducted:				
Depreciation of Fixed Assets (see Note 9)	135,822		124,588	
Emoluments of Directors (see Note 11)	66,765		60,084	
Pensions to Past Directors	2,385		1,006	
Pensions and Benevolent Fund	46,519		37,520	
Donation to Nottingham University towards a Chair for Engineering Research	—		20,000	
Provision for Deferred Repairs and Rehabilitation Expenses (see Note 12)	7,778		24,452	
		259,269		267,650
Leaving a Net Profit on Trading, subject to Taxation, of		1,422,715		1,205,114
Sundry additional items of income are:				
Interest on Government Securities, Tax Reserve Certificates, etc	7,315		5,518	
Profit on Exchange	24,289		—	
Profit on disposal of obsolete plant	2,715		920	
	34,319		6,438	
Less The administration expenses of the Parent Company, excluding Directors' Fees included above (as shown in the Profit and Loss Account of Raleigh Industries Ltd)	4,229		4,586	
		30,090		1,852
Making a Total Net Profit of		1,452,805		1,206 966
On which the liability to taxation is estimated as follows:				
United Kingdom Taxes:				
Profits Tax	214,050		169,196	
Income Tax	515,221		454,623	
	729,271		623,819	
Transfer to Reserve for Equalization of Taxation (see Note 8)	29,064		—	
	758,335		623,819	
Foreign Taxes	5,706		—	
		764,041		623,819
Leaving for appropriation		£688,764		£583,147
The proposed appropriation of this balance is as follows:				
General Reserve		180,000		50,000
Special Reserve to meet excess replacement cost of Fixed Assets		269,560		250,000
Reserve for Contingencies		—		100,000
Dividends and Bonus as detailed in the Profit and Loss Account of Raleigh Industries Ltd		204,875		170,500
Balance added to unappropriated profits retained by the Group (see below)		34,329		12,647
		£688,764		£583,147
Unappropriated profits:				
Total at August 20th, 1949		476,725		464,078
Balance this year, as above		34,329		12,647
Total per Balance Sheet		£511,054		£476,725

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The Purpose of the Balance Sheet

SIR, – I feel I should deal tenderly with Mr Rose, whose letter is published in your issue of February 3rd, since his intentions are obviously good. He says, for instance, that if we as accountants find it difficult to produce a balance sheet correctly, then we must persevere and learn the right techniques. We must all agree that this is quite the right attitude, but before we start we must know exactly what we are setting out to do. Mr Rose, despite his apparent confidence, does not deal with this point at all.

His arguments in support of the present anomalous position are, therefore, unconvincing. He assumes that 'a state of affairs' is explained by calling it 'a financial position' and that that ends the matter. I see no point in substituting one woolly expression for another woolly expression, even though Mr Rose's expression is dressed up in italics. We are still left with the question, 'What is a financial position?' and with the doubts whether a balance sheet effectively reveals it. In other words, this is where we came in.

Since Mr Rose raises only four points, three of which are numbered, I will deal with them briefly.

(1) I agree with his suggestion that capital subscribed at different dates could be stated separately purely as a matter of information; Mr Rose does not make it clear why revaluation is relevant unless he intends to make the stewards responsible for Government action or inaction in the matter of inflation. I gather that he still regards the balance sheet as being a valuation of some kind, judging by the tenor of his letter. It would be interesting to know why.

(2) I can only suggest again that 'writing off' is a suppression of information in the balance sheet; Mr Rose's contention that it is 'usually disclosed very clearly' is open to doubt, since even a cursory review of a number of published balance sheets reveals the following: 'Stock at cost or under', 'Goodwill at cost less amount written off', 'Subsidiary shares at cost less amount written off', 'Stock at or below cost', 'Advances to subsidiaries less amounts written off'. There are, in fact, few balance sheets which do not reveal that unspecified amounts have been excluded.

(3) The article made it clear that the suggestion that stock should be stated on a historical cost basis would leave most of the problems of stock valuation unsolved. It would, however, eliminate valuation below cost, suggestions about valuation at current replacement prices or selling prices, and ideas of that kind. I am quite aware that there is no such thing as actual cost in any manufacturing business; I was merely indicating the right approach to the statement of stock in the balance sheet.

The other point (unnumbered) raised by Mr Rose is that debts should obviously be dealt with on the selling-price basis. Why is this so obvious? It is, so far as I am aware, about the only non-cash asset stated on that basis. I merely suggested leaving matters where they were to make it easier for people like Mr Rose, to whom consistency in stating asset amounts is clearly anathema.

Mr Rose asks, 'What has Mr Davison done with our balance sheet?' I can only say that at least I have not done what ninety-nine shareholders out of every hundred do with it.

Yours truly,

London, EC1. E. H. DAVISON.

Saving Time and Paper

SIR, – As a member of a treasurer's department of a local authority, I should like the opportunity to reply to the charges of inefficiency made against local authorities by your correspondent Mr R. G. Darroch, whose letter is published in your issue of January 6th last.

The official invoice form is very useful for rapid checking of suppliers' invoices with the original orders and for ensuring that bills are not paid twice (local authorities do not keep personal accounts for creditors). It is also a convenient shape and size and can be printed with adequate grids for costing details, expenditure, coding and the initials or stamps of the various officers certifying receipt of the goods, authorizing payment, checking the arithmetic, expenditure allocation, etc. There is also space for the stamp of the internal auditor and finally the certificate to be signed by a member of the finance or other committee.

It would be unwise for the treasurer to return the invoices to the suppliers together with the cheques, because in a large number of cases he would have the greatest difficulty in getting them back again, especially from small tradesmen such as village shopkeepers, chimney-sweeps, etc. The certified account is the treasurer's authority for making the payment out of public funds which are subject to the most rigorous control and detailed Government audit.

The receipt form printed on the back of the cheque is absolutely essential as otherwise a receipt would not be obtained from many tradesmen. The district auditor requires the receipted cheques to be attached to the certified and paid invoices in the order of the payments cash book, and the best method of achieving this appears to be one of which your correspondent disapproves.

I understand, however, that the Institute of Municipal Treasurers and Accountants is carrying out research into the methods of paying accounts and expenditure analysis and no doubt the results will be published soon.

I am, Sir,
Your obedient servant,

Shrewsbury. S. J. HALES.

TAXATION CASES

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in *The Annotated Tax Cases.*

Jaworski *v.* Institution of Polish Engineers in Great Britain Limited

In the Court of Appeal – October 30th, 1950
(Before Lord Justice SOMERVELL, Lord Justice COHEN and Lord Justice DENNING)

Income-tax – Deduction of tax – Service agreement – Remuneration to be paid without deduction of tax – Whether agreement enforceable – Income Tax Act, 1842, *Section* 103 – *Income Tax Act,* 1918, *General Rules* 19, 21, 23 (2) – *Finance Act,* 1922, *Section* 18 (1) – *Finance Act,* 1941, *Section* 26 (1) – *Income Tax (Employments) Act,* 1943, *Section* 1 – *Income Tax (Employments) Regulations,* 1944, *Regulation* 24.

In 1943 the plaintiff, who was a Polish subject, entered the service of the defendant, and it was agreed that his remuneration should be paid 'without any deductions and taxes, which will be borne by the Association'. At that time the plaintiff was not liable to United Kingdom income-tax. In 1946 he became so liable, and the defendant deducted tax from his remuneration.

The plaintiff brought an action to recover the sums deducted, and the defendant contended that the provision in the service agreement for the payment of the remuneration without deduction of tax was unenforceable.

Held (reversing the judgment of Mr Justice Finnemore), that on the construction of the agreement, the plaintiff was entitled to his salary without deduction of tax. Doubts expressed as to whether General Rule 23 (2), Income Tax Act, 1918, would have applied in any event.

D'Avigdor-Goldsmid *v.* C.I.R.

In the High Court of Justice (Chancery Division)
December 20th, 1950
(Before Mr Justice VAISEY)

Estate duty – Life assurance policy – Premiums by deceased – Death more than five years before – Change of beneficiaries – Whether kept up for benefit of a designated donee – Whether interest accruing or arising on deceased's death – Customs and Inland Revenue Act, 1881, *Section* 38 – *Customs and Inland Revenue Act,* 1889, *Section* 11 – *Finance Act,* 1894, *Section* 2 (1) (*c*), 2 (1) (*d*) – *Finance Act,* 1939, *Section* 31.

In 1904 the deceased took out a policy on his own life, and paid the premiums. In 1907 he made a marriage settlement which included the policy, and he covenanted to pay the premiums. The deceased's interest under the settlement was a protected life interest, and subject to a rentcharge for his wife the trust fund was limited to the first and other sons of the marriage in tail male. In 1928 a private Act of Parliament was passed whereby the deceased was empowered to convey his life interest to the person who was next entitled in remainder on his death. This power was exercised in 1930 by a disentailing deed whereby the plaintiff, the deceased's son, with the consent of the deceased, conveyed the trust property to the trustees freed from the deceased's life interest and from all subsequent limitations.

By a deed of resettlement of the same date, the trustees were to hold the policy as a part of the trust fund, and by a deed of appointment in 1934 the policy was thenceforth held by the trustees in trust for the plaintiff absolutely for his own use and benefit, and discharged from the trusts declared by the resettlement. The plaintiff, therefore, then became the absolute beneficial owner of the life policy. On the death of the deceased in 1940 the plaintiff received the sum assured plus bonuses.

Thirty-three premiums were paid on the policy, and the last six were paid by the plaintiff. More than five years elapsed between the day on which the policy was appointed to the plaintiff absolutely and the day of the deceased's death.

The Inland Revenue contended that estate duty was payable either under Section 2 (1) (*c*) of the Finance Act, 1894, on the basis that the deceased had kept up the policy for the benefit of the plaintiff as the donee, or under Section 2 (1) (*d*) of the same Act on the basis that a beneficial interest accrued or arose on the deceased's death.

Held, that the donee referred to was the ultimate donee, and that on the facts the deceased did not keep up the policy for the plaintiff; and that as the policy had been transferred to the plaintiff more than five years before the deceased's death, no interest in it accrued or arose on his death.

Potts' Executors *v.* C.I.R.

In the House of Lords – December 14th, 1950
(Before Lord SIMONDS, Lord NORMAND, Lord OAKSEY, Lord MORTON OF HENRYTON and Lord MACDERMOTT)

Sur-tax – Settlement – Capital sum – Company connected with settlement – Payment by company of sums owing by settlor – Debits to his current account with company – Bills of Sale Act (1878) *Amendment Act,* 1882, *Section* 8 – *Finance Act,* 1938, *Section* 40.

The deceased settled on trust for his infant grandchildren a number of shares in a company of which he was the governing director, and which was admitted to be a company 'connected with the settlement' within Section 40 (3) of the Finance Act, 1938. The deceased had a current account with the company, and the company paid sums owing by the testator, and debited these sums to the account.

The Crown contended that the sums so paid were loans, and were, therefore, 'capital sums' paid to the deceased settlor within Section 40 (3) of the Act,

and were to be treated for sur-tax purposes as his income. It was contended for the executors (1) that the sums in question were not loans, but were sums paid by the company at the request of the deceased, with an implied promise to repay, (2) that these sums were not paid to the deceased.

Held (reversing the judgment of the Court of Appeal), that the sums in question were not paid to the settlor within Section 40 (3); that they were not paid by way of loan, and therefore, were not to be treated as his income for sur-tax purposes.

In re Brassey's Resettlement

In the High Court of Justice (Chancery Division)
December 13th, 1950
(Before Mr Justice ROMER)

Estate duty – Cesser of interest – Trust for keeping up insurance policies – No interest of deceased in policies – Policy money passing into trust fund – Continuance of life interest – Whether a cesser of interest on death of life assured – Finance Act, 1894, *Sections* 2 (1) (*b*), 7 (7).

By a deed of appointment and resettlement it was provided that the trustees should apply certain income, as far as was necessary, to the payment of the premiums of insurance policies on the life of the tenant for life, and should hold the balance of the income upon protective trusts for the benefit of his son. After the death of the son the capital and income of the trust fund were to be held for his issue, and if no child of his took a vested interest, the trust fund was to be held as he should by will or codicil appoint.

From the date of the resettlement until the date of the death of the tenant for life the premiums on the policy were paid by the trustees out of the trust income, and the balance of the income was paid to the son. The latter had not exercised his power of appointment in favour of a surviving wife, and he had no issue; and in these events the trust fund would, on his death, pass to the residuary legatees under the life tenant's will.

The Inland Revenue contended that estate duty was payable, on the life tenant's death, in respect of the slice of the trust fund, which was required by the income thereof for the payment of the premiums on the assurance policies. The claim was made, under the Finance Act, 1894, Section 2 (1) (*b*), on the footing that on the death of the life tenant there was a cesser of an interest and the accruing or arising of a benefit thereby.

It was contended for the trustees that on the death of the life tenant there was no cesser of interest because (1) there was merely the cesser of the payments of premiums, (2) the interest of the life tenant's son remained as it was before, namely, a protected life interest, (3) the interest of the remaindermen continued as it was, namely, a reversionary interest in the capital of the trust fund, (4) Section 2 (1) (*b*) was not concerned with interests in remainder.

Held, that, on the life tenant's death, the remaindermen had other interests in the trust fund, and that other benefits accrued or arose by the cesser of such interests; and that estate duty was, therefore, payable under Section 2 (1) (*b*) of the Finance Act, 1894.

Latilla *v.* C.I.R.

In the House of Lords – December 14th, 1950
(Before Lord SIMONDS, Lord NORMAND, Lord OAKSEY, Lord MORTON OF HENRYTON and Lord MACDERMOTT)

Sur-tax – Undistributed income of company – Apportionment – Wife as shareholder – Assessment on husband, not a shareholder – Whether assessment competent – Income Tax Act, 1918, *Sections* 5 (1), 7 (2), (3), *Schedule A, No. VII, Rule* 1, *Schedule B, Rule* 4, *Schedule D, Miscellaneous Rule* 1, *Schedule E, Rule* 1, *General Rule* 16 – *Finance Act,* 1922, *Section* 21, *Schedule I, paragraphs* 8, 9 – *Finance Act,* 1927, *Sections* 31 (2), 38, 42 (7) – *Finance Act,* 1936, *Section* 19, (5) – *Finance Act,* 1938, *Section* 38 (1) – *Finance Act,* 1939, *Section* 15 (6) (*b*).

The preference shares in F.P.H. Finance Trust Ltd were held by the respondent's wife and his two daughters while the ordinary shares were held by another company. On September 2nd, 1940, a direction was made under which, except for a small sum, the profit of the period just mentioned was apportioned to the wife of the appellant and to his two daughters, who were shareholders in the company. The appellant was not a shareholder. The apportionments were confirmed, and assessments were made upon the appellant and upon his sons-in-law in respect of the amounts apportioned to their wives, and on appeal to the Special Commissioners it was contended that an assessment under Section 21 (2) of the Finance Act, 1922, could be made only upon a member, and not upon the husband of a member. The Special Commissioners decided against the respondents and confirmed the assessments.

Held (reversing the judgment of the Court of Appeal), that an assessment under Section 21 (2) of the Finance Act, 1922, had to be made upon a husband, whose wife was a member of the company, if his wife was living with him.

In re Smith's Settlement Trusts

In the High Court of Justice (Chancery Division)
December 13th, 1950
(Before Mr Justice DANCKWERTS)

Estate duty – Tax-free securities – Tenant for life ordinarily resident in the United Kingdom – Remaindermen ordinarily resident abroad – Whether securities exempt from duty – Finance (*No.* 2) *Act,* 1915, *Section* 47 – *Finance* (*No.* 2) *Act,* 1931, *Section* 22.

A deceased person was the tenant for life of a settled fund, part of which consisted of 3½ per cent War Loan 1952, and 4 per cent Funding Loan 1960–1990. The deceased was ordinarily resident

in the United Kingdom, and on her death the trust fund passed to persons, some of whom were ordinarily resident in Australia.

The trustees contended that the war loan and the funding loan were exempt from estate duty in so far as the persons who became beneficially entitled to them on the death of the deceased were ordinarily resident abroad.

The Inland Revenue contended that the exemption did not apply because the person, on whose death the securities passed, was ordinarily resident in this country, and that the fact that they passed to non-residents was immaterial.

Held, that, for the purpose of this exemption, the person whose residence or non-residence was in point was the person to whom the securities passed on the death, and therefore that the exemption applied in the present case.

AMERICAN MANAGEMENT METHODS

AN INFORMATIVE DISCUSSION

Meeting of the London and District Society of Chartered Accountants

The meeting of the London and District Society of Chartered Accountants held at the Hall of the Chartered Insurance Institute, Aldermanbury, on Tuesday, January 30th last, took the form of a discussion with some members of the Management Accounting Team which visited the United States last year under the auspices of the Anglo-American Council on Productivity. Mr E. F. G. Whinney, M.A., F.C.A., chairman of the Society, presided, and the team was represented by Messrs Ian T. Morrow, C.A., F.C.W.A. (*Leader*); Stanley J. D. Berger, M.C., F.C.I.S. (*Director, The Institute of Cost and Works Accountants (Secretary)*); G. A. Culverwell, A.S.A.A., A.C.W.A. (*Road Haulage Executive*); R. G. Hooker, A.A.C.P. (*Electrical engineer and statistician*); H. C. Rutherford (*Director, Venesta Ltd*); F. J. Weeks, A.C.A. (*W. D. & H. O. Wills (Imperial Tobacco Co)*).

Costing

Mr Morrow opened the discussion with observations on American costing methods. He said that, to their surprise, the team had found no new techniques in the course of their tour. The Americans used all kinds of costing but the method most widely employed was original cost. One set of records only was kept and from these all information, costing and financial, was derived. In spite of every variety of costing being used, a surprisingly large number went in for forecasting over as long a period as, in some industries, five years. A budget would be set on which they would base their cost finding for pricing and for selling. Then, either monthly, quarterly or half-yearly, whenever the circumstances demanded it, fresh budgets for control would be created which would set out the probable output and expenditure, fixed and variable, in the usual way. Mr Morrow commented on the phenomenal speed with which reports and accounts were produced.

Taking up this last point, other members of the team elaborated on the widespread use of office machines, the distribution of staffs between a few highly-skilled executives and a preponderance of semi-skilled but highly adaptable juniors, the brevity of reports presented and the quick action that was taken on them and the skill displayed in estimating amounts for incorporation in reports so as to save time when the actual figures were not readily available. The team emphasized also the range and flexibility of the reports and the close co-operation which seemed to exist everywhere between the costing and production departments.

Among the questions put to the team on the ground so far covered was one by the chairman asking for a definition of the American term 'controller'. It was explained that in the United States the controller was something more than the chief accountant. He belonged to top management and his function was to present and interpret to others at that level accounting information which would enable them to study past results and plan future policy. A member of the audience asked for further particulars on how the production of reports and accounts could be expedited by means of estimating certain figures. It was mentioned in reply that in some cases physical stock was taken half-way through the financial year instead of at the end when the adjusted working figure was used. It was also stressed that the American accountant is so familiar with the organization as a whole that he knows exactly what information is required and how best to present it. To another questioner who wanted to know why there were so many people available for these things in America, it was pointed out that, although office staffs there were no larger than in this country, the whole approach was different. Whereas in Britain every effort is directed towards the production of the annual accounts, in America the corresponding drive is to provide information for management.

Business Education

The member who led the discussion on business education stated that, although a study of the organization of the accounting bodies in America had not been included in their terms of reference, the team had in the progress of their tour learned much about their set-up and had in fact been greatly helped by them. He explained that each State had its own state accounting board. The examination questions were provided by the American Institute of Accountants, who also moderated the answers and advised the various state boards, but the final decision on each candidate rested with the latter. There are about 30,000 Certified Public Accountants in America, but only half of them are members of the American Institute of Accountants. The National Association of Cost Accountants has over 30,000 members. It does not conduct examinations and there is no qualification attached to it. Controllers have also an institute, membership of which is limited

to those who control companies over a certain size. All these bodies offer good services to their members in the way of literature, research departments, discussions and other professional activities.

In the wider field of business administration, some of the leading universities, including Harvard and Columbia, have faculties in which accountancy and costing are among the most important subjects. There is very close co-operation in America between the academic and the practical, and a dean or a don may also be a company director or a practising accountant. On the other hand, it was found that sometimes a high-ranking executive on the accounting side of industry had no professional qualification but had worked his way through the various departments until, due to his exceptional ability, he had arrived at the top.

Published Accounts

Americans, said a member of the team, include in their published accounts photographs illustrating the activities of the company as well as numerous graphs and sets of statistics for the previous cycle of ten years. There are many points of interest to note in the accounts themselves, which are much more detailed than the published accounts of public companies in this country. The 'inventory', as it is called, is split up under three heads – stock, raw materials and work in progress. The manufactured stock is shown separately. Instead of a string of reserves there is an item, 'surplus', which contains all undistributed profit. The income account – our trading and profit and loss account – normally starts off with sales, which must be given if a quotation on the stock exchange is desired, and shows at some length the various intermediate profits until the net profit is finally arrived at. More emphasis seems to be put on the income statement than on the balance sheet which, although appended, is seldom considered.

The treatment of depreciation is very similar to the normal practice in this country, being calculated on the cost and not on replacement value. The American tax laws provide allowances for wear and tear (at rates comparable to those in force here) but not for obsolescence, nor are initial allowances granted.

A large number of American concerns address their annual reports to employees as well as to shareholders. Management is much concerned with 'shareholder relations' and new shareholders are welcomed with a letter and, sometimes, samples of the company's products. Also, shareholders selling out are invited to state if they were displeased with the company or its management or the rate of dividend.

Among a number of questions from the audience was one on the basis of stock valuation in America. A member of the team replied that every kind of valuation was used, always with an eye on the tax position. The company could elect its basis. Some used LIFO or FIFO, others standard. Some companies even based their stock valuations on the standards of 1939 and wrote off the difference to profit and loss account. 'We tried very hard', the member added, 'to understand their stock valuation procedure but I am afraid we never really got to the bottom of it.'

Another questioner asked if profit-sharing schemes were in operation and if they were really acceptable. The answer given was that the Americans had not decided whether it was a good thing or a bad thing. One large company had been running such a scheme for many years and said it was the backbone of a successful enterprise. Others, more cautious, were just beginning to realise the need to create some method of reducing the turnover of labour and a number of organizations, large and small, were giving serious thought to pension schemes.

Purchasing and Stock Control

Mr Culverwell said that one of the most outstanding features of purchasing in America was the importance attached to it. Like everything else in that country it is highly competitive, and for all main supplies several quotations would be obtained before ordering. Large companies would even buy outside their own group if they could do so more cheaply. The methods of stock control varied enormously but were nearly always efficient. More stress was put on the value of stock than on any other figure in the balance sheet. Because of this, the importance of the internal auditor in America was increasing rapidly.

A member of the audience asked, with regard to adopting standard cost values for stocks: (*a*) what was the usual basis of fixing standard prices, and (*b*) the frequency at which the standards were changed. He was told that the practice differed. Some companies liked to hold their standard to find out how much they had moved from it. Others were prepared to revise the standard at fairly short intervals. Generally, twelve months might be taken as the average.

Another questioner was told that the purchase ledger in America had become practically obsolete, creditors being paid on invoices, so many each day.

Design, Manufacturing and Sale

Once a policy had been set for a certain programme of work, a member of the team said, the manager or controller together with the engineer set a purchase budget. Thereafter, it was the duty of the engineer to produce regular progress reports to ensure that the budget, on which there was often not much margin, was not being exceeded.

The speaker said that he had expected to see row upon row of brand-new machines in American factories but that the average age of their equipment was actually greater than in this country. The reason was that new plant is not purchased unless the engineer can prove that it will pay for itself.

The most impressive point about manufacturing development in America is that the staff, at all levels, is 'figure conscious'. Costs are checked up at each stage of manufacture and junior supervisors are made to realize their responsibility to management for keeping within their budgets.

Top Management

In management, a member of the team said, there were three distinct functions at three distinct levels. Firstly there were the directors who were chiefly interested in the finances and development of the company. They set the target of expected financial results for the second level – top management – who were responsible for the operational policy of the company. This entailed long-term planning for which the necessary forecasts and budgets were supplied by the third level – the departmental managers and foremen. The genius who co-ordinated all this information was, of course, the controller, who had to have a very acute awareness of the management's requirements.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Results of Examinations held in November 1950

FINAL EXAMINATION

Held on November 28th, 29th and 30th, and December 1st, 1950

Certificates of Merit with Prizes Awarded

First Certificate of Merit, the Institute Prize, the 'W. B. Peat' Medal and Prize, and the 'Plender' Prizes for the Advanced Accounting (Part II), the English Law (Part I), and the English Law (Part II) Papers
Tayal, Yashbir Singh (W. H. Johnstone), London.

Second Certificate of Merit, the 'Walter Knox' Scholarship, and the 'Frederick Whinney' Prize
Figov, Cyril (S. Fisher), London.

Third Certificate of Merit and the 'Plender' Prize for the Taxation Paper
Hewitt, John Herbert (P. F. Granger), Nottingham.

Fourth Certificate of Merit, the Auditing Prize, and the 'Plender' Prize for the Auditing Paper
Deveson, Geoffrey Reginald (G. W. Coleman), London

Full List of Names of Successful Candidates

(in alphabetical order)

Albrow, E. A. (E. Manby), London.
Alcock, J. S. (F. L. Williams), Liverpool.
Allan, W. A. (H. A. Edwards), Newcastle upon Tyne.
Andrew, E. C. (H. Dowd), Liverpool.
Apple, M. (B. Davis), London.
Argent, E. W. (A. E. Spicer), London.
Arthur, R. A. (F. T. Smith), London.
Ascroft, A. F. (C. Edwards), Preston.
Ashill, M. C. (B. C. O'Brien), London.
Attfield, P. J. (P. R. Rutherford), London.
Ault, P. D. (A. A. Moller), London.
Austen, D. J. (R. McC. Matheson), London.

Bailey, R. (J. D. Kelland), Sutton Coldfield.
Baker, V. (E. J. Nelson), London.
Bakewell, C. M. (F. W. Carter), Stoke-on-Trent.
Ballard, G. S. C. (M. C. Cole), London.
Banks, C. T. N. (W. O. Smedley), London.
Banwell, J. M. (M. S. Frank), Nottingham.
Barker, H. G. (C. B. Sebire), London.
Barlow, D. (H. J. R. Roffe), London.
Barnes, K. (R. B. T. Castle), London.
Barnes, N. H. (L. O. Ross), London.
Barrett, J. R. (H. G. Ash), London.
Barrett, R. W. N. (H. G. Walton), London.
Barrett, T. H. J. (C. R. Daniel), Cardiff.
Barry, J. D. (formerly with J. H. Tate, deceased), Middlesbrough.
Basden, B. E. (E. D. Basden), London.
Basham, K. F. J. (E. G. J. W. Kent), Colchester.
Bates, D. A. (A. M. Adnitt), Peterborough.
Beck, H. H. E. (S. G. Hillyer), London.
Beckman, J. N. (S. L. Lewis), London.
Bell, J. A. (G. B. Harris), London.
Bell, R. V. (H. Lubbock), London.
Bellamy, N. M. (F. Nash), Kettering.
Bellevue de Sylva, P. G. (W. R. Clemens), London.
Berger, P. B. S. (C. E. B. Young), London.
Berman, M. (W. G. Jones), Llanelly.
Bigg, P. A. (G. Little), London.
Bird, B. J. K. (G. W. Plummer), Eastbourne.
Bird, R. J. (A. Ellison), Liverpool.
Bird, W. L. (A. J. Whitington), Winchester.
Birnie, D. W. S. (A. B. L. Murison), London.
Blackburn, S. (H. G. Cooper), London.
Boardman, R. D. (J. W. Button), London.
Bostock, C. I. (G. Bostock), London.
Bosworth, J. M. W. (J. F. Legg), London.
Bowden, G. (W. E. Thompson), Manchester.
Boyles, W. A. (T. L. Perry), Birmingham.
Brigg, J. R. W. (J. W. G. Cocke), London.
Brittain, W. (W. G. Ponter), Birmingham.
Brookman, M. T. R. (J. G. Birkett), Watford.
Brown (Miss), E. L. (R. Suttill), London.
Brown, S. G. (J. W. Clement), London.
Buck, D. (J. F. T. Nangle), London.
Bulford, A. J. (F. T. Page), London.
Burden, P. (G. P. Mead), London.
Burgess, C. E. (P. S. Taylor), Birmingham.
Burrows, R. E. (F. R. Paine), London.
Butler, I. G. (R. Aston), London.
Butler, N. T. (G. C. Calder), London.
Buttanshaw, A. (L. J. Osmond), London.
Bygrave, R. F. (P. J. Brennan), London.

Calton, F. G. (P. R. Rutherford), London.
Campsie, T. B. (K. P. Helm), Hull.
Cann, W. C. (E. N. Read), London.
Capey, J. (C. S. Birbeck), Stoke-on-Trent.
Carr, G. V. (J. Forsyth), Sunderland.
Carter, A. H. (M. E. P. Morgan), London.
Cattle, D. A. (P. G. Walker), London.
Caveney, H. (J. Thompson), Bury.
Chamberlain J. T. (R. G. Bowen), Birmingham.
Chance, B. (R. G. Main), London.
Chandler, R. G. (R. G. Sutton), London.
Chatham, R. B. F. (E. F. Lermit), Northwood.
Cheetham, D. L. (N. B. Hayman), London.
Choak, F. L. H. (H. K. G. Martyn), Truro.
Christmas, L. G. (R. H. Stevens), London.
Chubb, A. G. T. (H. J. R. Ledsam), Birmingham.
Clark, S. E. (H. S. Critchley), Oxford.
Clarke, J. H. R. (formerly with A. R. Lapthorn, deceased), Portsmouth.
Clarke, R. N. G. (C. L. Wykes), Leicester. (*'Plender' Prize for the Advanced Accounting (Part I) Paper*).
Cliffe, M. L. (J. H. Alexander), Leeds.
Clissold, J. M. (T. F. Birch), Leicester.
Coates, F. (F. H. Walsh), Burnley.
Cockshott, W. D. (A. E. Ellison), Bradford.
Cohen, I. M. (J. L. Jeffree), London.
Colby, D. (C. H. Nathan), London.
Cole, J. M. (E. Lucas), Bedford.
Collinge, D. S. (L. R. Elcombe), London.
Colquhoun, K. (E. Chaloner), Manchester.
Comer, P. A. (W. V. Eggleton), Gloucester.
Conway, D. I. (B. Summers), London.
Cook, A. W. (R. A. Masters), London.
Cooke, G. A. (J. M. Watson), Bournemouth.
Cooper, A. (F. Merryweather), Manchester.
Cooper, E. (W. Archer), Manchester.
Corbett, A. E. (R. H. Buckle), Birmingham.

Corley, M. A. (L. Hickson), Hull.
Corsan, S. J. D. (C. E. Fletcher), London.
Cosslett, E. P. (J. M. Lees), Manchester.
Cottey, K. F. (J. C. Peirson), London.
Coulson, E. A. (A. C. S. Milledge), London.
Cox, E. D. (L. T. Newport), London.
Crawford, M. G. (W. B. Lindley), Leeds.
Crossley, R. G. (P. R. Hornsby), London.
Crystal, A. H. (J. S. Darwell), Blackpool.
Cunliffe, R. (H. D. Collins), Southport.

Daniels, W. A. (A. Spedding), Manchester.
Davies, D. T. (D. B. Grieve), Cardiff.
Davies, E. G. (F. C. Bevan), Swansea.
Davies, J. (W. F. Copeland), Leicester.
Davies, J. H. (G. S. Middleton), London.
Davis, B. D. (F. Hyde), London.
Davis, M. G. (P. E. Harding), London.
Davison, J. M. J. (J. R. Heslop), Newcastle upon Tyne.
Dawson, W. R. (H. E. Halliday), Newport, Mon.
Dean, C. P. (H. R. Tebb), Leeds.
Dennington, J. (L. M. Keen), Southend-on-Sea.
Denton, D. (W. Latham), Lytham St. Annes.
Derbyshire, D. C. (R. A. Branson), Stockton-on-Tees.
Deshpande, V. S. (M. H. Hewes), London.
*Deveson, G. R. (G. W. Coleman), London.
Dickinson, C. W. (H. R. C. White), Folkestone.
Dixon, J. B. (R. A. Branson), Stockton-on-Tees.
Dodds, A. M. (G. Adam), Newcastle upon Tyne.

Eabry, K. R. (R. W. Rodwell), Leicester.
Edwards, E. P. (A. T. Brain), Hereford.
Ellershaw, R. G. (F. K. Wilby), Leicester.
Elman, C. (J. Pollard), London.
Erritt, T. J. R. (formerly with B. J. Kelly, deceased), Liverpool.
Eustace, C. W. B. (A. Popplewell), Manchester.
Eva, J. W. (formerly with J. Carter, deceased), Bolton.
Evans, E. (T. G. Gobat), Hereford.
Evans, J. S. (G. H. Storey), London.
Evans, L. J. (N. J. K. Smith), Birkenhead.
Evans, T. J. W. (W. Hope), Stockton-on-Tees.

Fairclough, R. N. (P. A. Lloyd), Liverpool.
Fielding, M. D. (H. H. Fielding), Paignton.
*Figov, C. (S. Fisher), London.
Finch, C. J. (H. H. Hole), St. Albans.
Finlay, P. (A. L. Westbury), London.
Folkes, S. G. (C. I. Steen), London.
Ford, J. A. (J. P. Southwell), London.
Foster, N. I. (C. C. Bliss), Enfield.
Freeman, A. D. (D. W. Robertson), London. (*'Plender' Prize for the General Financial Knowledge and Cost Accounting Paper.*)
Friend, B. (M. Hyams), London.
Frith, J. W. G. (S. J. Pears), London.
Frost, P. V. G. (A. V. Sully), London.

Gaastra, D. (formerly with A. E. Jones, deceased), London.
Ganguli, P. C. (N. Bailey), Manchester.
Gardner, J. (E. C. Brown), London.
Gee, B. A. (R. S. Longcroft), London.
George, B. H. (E. E. P. Maltby), London.
George, P. S. (R. W. Meacock), Newport, Mon.
Gilbert, I. F. (G. H. Robinson), London.
Gledhill, J. R. (H. Bowker), Sheffield.
Goffin, W. M. (F. C. Davey), London.
Goodchap, J. A. (A. E. D. Tribe), Bristol.
Gray, R. D. (A. S. F. Oliver), Hull.
Greatorex, D. J. (E. Crossley), Manchester.
Green, G. L. S. (M. S. Bradford), London.
Green, M. A. (E. C. Graham), London.
Greenwood, N. H. (L. Wilson), Halifax.
Gregg, F. (C. K. Jordan), Manchester.
Griffith, D. A. (F. Pickup), Preston.
Griffiths, P. D. (A. E. Lacon), Wolverhampton.
Grimshaw, W. G. P. (J. Heaford), Manchester.
Grinsted, P. M. (H. J. Page), London.
Groome, J. (W. T. Smith), Chester.

Hackwood, P. F. (G. D. Cucksey), London.
Haigh, E. J. (E. J. Wright), Manchester.
Hale, R. A. (D. A. W. Hamilton), Bexhill-on-Sea.
Hales, A. J. G. (R. E. Crofts), Market Harborough.
Hales, D. K. (A. C. H. King), London.
Halpern, S. G. (M. C. Stothert), Bournemouth.
Handley, W. E. H. (N. D. Ednie), Bedford.
Hanson, G. (H. Rhodes), Halifax.
Hargreaves, R. E. (B. W. Graves), London.
Harland, G. (formerly with W. Harland, deceased), Stockton-on-Tees.
Harlow, R. F. W. (D. R. Clack), London.
Harper, A. (A. Hodkinson), Preston.
Harrison, R. F. (E. G. White), London.
Hawkins, E. R. (F. C. Russell), London.
Hawthorne, E. (A. H. Hillyer), London.
Heaton, J. (A. Bleazard), Blackpool.
Hesse, J. G. G. (H. Clippingdale), London.
*Hewitt, J. H. (P. F. Granger), Nottingham.
Hewland, K. (H. H. Wheatley), Hull.
Heywood, F. A. (T. C. Parkin), Sheffield.
Hickley, A. P. (A. R. Brackenridge), London.
Higson, D. (S. D. Payne), London.
Hill, G. R. (J. W. Williams), London.
Hills, D. G. (R. G. Pye), London.
Hinings, P. H. (J. E. Hooper), London.
Hitchman, J. H. (H. W. Sydenham), London.
Hobson, S. (H. F. Palmer), Nottingham.
Holliday, C. J. (E. G. Davies), Birmingham.
Hollingsworth, F. W. (J. C. Dawson), York.
Hollins, D. (J. P. Vallance), London.
Holmes, A. (H. S. Stafford), Manchester.
Holmes, D. P. (H. C. Haines), London.
Hooper, P. T. J. (W. Rees), Swansea.
Hopwood, A. (R. O. McIlwrick), Manchester.
Horne, F. C. (G. Hay), Chesham.
Horrex, E. P. A. (G. W. Drake), London.
Horton, J. A. (B. C. Muggleton), Birmingham.
Houghton, T. P. (J. M. Keith), London.
Hovey, K. P. B. (C. M. Duncan), London.
Hovey, W. A. (C. M. Duncan), London.
Howard, M. J. (Sir W. H. Peat), London.
Howarth, S. K. (S. Whitehead), Preston.
Hoyles, R. W. (formerly with G. W. R. Brownscombe, deceased), Hove.
Huggins, R. H. (C. C. H. Harvey), London.
Hughes, G. M. M. (C. B. Burrows), Liverpool.
Hulton, D. (F. Webb), Manchester.
Hunn, R. G. (C. Young), Cambridge.
Hunter, A. A. (G. H. C. Stanley), Birmingham.

Irwin, K. J. (F. G. A. Cooper), Wisbech.

Jacobs, E. N. (M. Striker), London.
Jago, W. A. (W. A. Davies), London.
Jamieson, W. B. I. (J. W. Morrell), London.
Johnston, W. B. (S. F. Shuttleworth), London.
Jones, A. E. R. (A. F. Clarke), Liverpool.
Jones, F. S. (F. Martin), Manchester. (*'Roger N. Carter' Prize.*)
Jones, K. A. (C. H. Barclay), London.
Joynson, K. M. (J. Thomason, Junr.), Manchester.

King (Miss), G. E. (Sir C. J. Pain), Nottingham.
King, J. M. E. (J. F. Barton), Manchester.
Knight, R. B. M. (R. E. Goddard), Brighton.
Knott, A. C. (W. Young), London.
Knox, L. (E. T. Martin), Newcastle upon Tyne.

La Costa, H. B. (G. T. W. Richards), Nottingham.
Laidlaw (Miss), J. (C. G. Barber), London.
Lake, P. J. (F. H. Turner), Lincoln.
Lamb, R. (L. G. Spencer), Newcastle upon Tyne.
Latham, C. L. (H. J. Williams), London.
Lawrence, D. J. (B. W. Vincent), London.
Leake, L. (R. W. Rodwell), Leicester.
Le Cornu, D. M. (H. B. C. Smith), London.
Lee, G. A. (J. A. Lee), Worksop.
Lees, E. L. (T. H. Burdon), Bradford.
Leeson, P. J. (A. Sadie), London.
Legg, J. P. (E. D. Taylor), Leeds.
Lewis, J. G. L. (H. Rothwell), London.
Lincoln, F. W. (H. A. Snelling), London.
Little, J. (R. E. Bolton), Newcastle upon Tyne.
Livesey, A. (L. H. B. Worsley), Bolton.
Long, W. C. (C. Long), Bradford.

Mabbs, C. P. (O. C. Tidbury), London.
McFarlane, D. J. (N. S. Mumby), Liverpool.
McNee, J. A. (A. W. Lee), Birkenhead.
Maitland, D. H. (W. S. Carrington), London.
Manterfield, K. C. (B. Thomas), Sheffield.

*See also Order of Merit above.

Martin, G. W. (J. R. Taylor), Redhill.
Matthews, A. (B. Dudley), Newcastle upon Tyne.
Mawby, C. A. (F. Williams), Liverpool.
Mayoh, J. D. (J. H. Waring), Bolton.
Mead, C. (W. E. S. Hooper), Southport.
Mead, G. E. (C. S. Dawson), Bournemouth.
Meakins, D. R. (R. Suttill), London.
Meeke, H. G. (R. A. Brown), Manchester.
Menhinick, W. F. (E. W. E. Chapman), London.
Mickle, J. M. (C. Boase), Liverpool.
Middleton (Miss), K. S. (W. R. Coope), Nottingham.
Middleton, R. J. (W. J. Leeming), London.
Miller, P. M. (A. Collins), Bournemouth.
Minter, W. H. (B. F. Jukes), Brighton.
Mittal, A. K. (C. J. Hayward), London.
Montgomery, T. D. (H. T. Nicholson), Liverpool.
Moon, F. A. (P. E. Wallis), Liverpool.
Moore, J. K. L. (A. B. L. Murison), London.
Morris, E. A. (D. F. Dodd), Birmingham.
Morris, J. B. (J. B. Watling), Bristol.
Morris, L. J. (T. I. Williams), London.
Moss, V. R. (H. Munro), London.
Moulton, K. (C. J. C. Smith), Northwich.
Moyes, K. M. (R. E. D. Nelson), Sunderland.
Mullens, P. A. G. (N. T. Summerscale), Cardiff.
Mullin, T. K. (D. H. Peed), London.
Mulryan, F. G. (C. Green), Manchester.
Munyard, B. J. (R. P. Chambers), London.
Murfin, E. J. (C. E. Pearson), Lincoln.
Murrell, A. R. R. (J. A. Hill, Junr.), London.

Neatham, N. (E. Bradshaw), Warrington.
Nestel, L. (A. Harris), London.
Nichols, J. A. B. (P. Doughty), Derby.
Nicholson, J. L. (J. B. Nicholson), High Wycombe.

Oliver, J. A. (J. C. Hounsfield), London.
Onslow, A. A. M. (J. L. Harper), London.
Ortmans, D. H. (S. G. Hillyer), London.

Packington, R. E. (T. A. Ryder), London.
Palk, H. R. L. (G. L. Atherton), Bridport.
Palk, K. L. (T. L. C. Clarke), Plymouth.
Palmer, F. R. (G. H. Yarnell), Brighton.
Palmer, W. E. (R. H. V. Thomas), Swansea.
Pampel, N. N. (H. C. Rudolf), London.
Parker, A. W. (E. S. Bedell), Manchester.
Parker, L. C. J. (W. L. Barrett), Ilfracombe.
Parkinson, D. H. (C. R. Bellis), Bolton.
Parren, D. G. (J. B. Pinnock), Bedford.
Parsloe, J. S. (H. Osborne), East Grinstead.
Parsons, L. C. (B. C. Gain), London.
Partington, D. W. (T. E. Milligan), Manchester.
Partridge, G. W. (N. B. Hayman), London.
Pattinson, J. (H. J. Rigg), Carlisle.
Pausey, K. J. (R. L. Wells), London.
Payne, G. W. (W. R. Payne), Stroud.
Pearson, E. (R. C. Whineray), Barrow-in-Furness.
Perry (Miss), O. M. (W. A. Waller), Southend-on-Sea.
Peters, D. B. (R. C. Blows), Cambridge.
Pike, D. E. (A. E. Clayton), Dorchester.
Pillar, G. W. (W. M. Baxter), Plymouth.
Platt, P. S. (P. Westhead), Manchester.
Pledge, F. H. (G. S. Hall), London.
Porter, R. R. (P. G. Heslop), London.
Powell, D. (L. C. Williams), Manchester.
Poyser, E. S. (F. L. Webb), London.
Prevett, R. A. C. (H. G. Ash), London.
Prince, E. S. (W. B. Chapman), London.
Princep, C. B. (A. L. Blower), Wolverhampton.
Pugh, E. (T. R. Hoddell), Nuneaton.
Pugh, N. (H. W. Denman), Nottingham.
Pyne, A. F. (J. Altman), London.
Pyne, H. D. (L. H. Davies), London.

Ramsden, R. C. (F. W. Bailey), Leeds.
Ransome, H. S. (M. Bennett), London.
Ratcliffe, F. (H. C. Hepworth), Manchester.
Rawson, N. L. (P. T. Muggison), Leicester.
Raymond, J. G. (N. Johnson), Chester.
Redhead, D. J. (F. H. Agar), London.
Reid, E. H. (L. W. Farrow), London.
Remington, R. C. (G. W. Hunt), London.
Reynolds, J. J. S. (H. H. Marks), London.
Ribbens, D. (A. N. D. Smith), London.
Richards, R. H. A. (I. H. Howard), Bristol.
Richards, W. J. A. (N. A. Smith), Reading.
Richardson, E. (A. J. Gray, Junr.), Sunderland.
Ridgway, W. R. (J. R. Riddell), Shrewsbury.
Rigg, J. A. (A. Bell), Newcastle upon Tyne.
Rigsby, G. A. (C. S. S. Cowper), Newbury.
Roberts, R. J. M. (T. B. Robson), London.
Roberts, R. L. (H. Senogles), Bangor.
Rogers, G. H. K. (F. C. Hanna), London.
Rogers, P. F. (T. N. White), Liverpool.
Rogers, W. P. L. (G. E. Richards), London.
Rohan, J. H. (H. J. Page), London.
Rolt, P. D. (W. N. Hoyte), Exeter.
Rose, P. (A. A. Nyfield), London.
Ross, L. J. (C. B. Cawthorne), London.
Rowlandson, J. (L. R. Binns), London.
Rowley, R. A. (E. E. V. Rowley), Leicester.
Rowling, G. I. (G. C. Sagar), Leeds.
Rutherford, J. T. (L. Moore), London.

Sadler, G. S. (W. L. Barrows), Birmingham.
Schollar, J. W. (C. H. Brand), London.
Schooling, E. C. F. (W. S. C. Charles), Carlisle.
Scott, T. A. (L. G. Spencer), Newcastle upon Tyne.
Seal, A. J. (C. R. Jeffreys), London.
Seales, M. J. (G. Stalker), Newcastle upon Tyne.
Sergeant, J. J. R. (C. W. Bingham), Nottingham.
Shaw, M. J. F. (W. L. Dominy), Cambridge.
Shaw, W. G. (N. Shaw), Dewsbury.
Sheeres, T. G. (M. Moore), London.
Shields, R. B. (E. T. Wood), London.
Shuttleworth, J. F. (S. F. Shuttleworth), London.
Simpson, G. S. (E. R. Longman), Leeds.
Smith, A. L. P. (H. A. Deeker), London.
Smith, D. (J. M. S. Coates), Newcastle upon Tyne.
Smith, K. R. (F. E. Proom), Newcastle upon Tyne.
Smith, P. F. (E. H. Robinson), Newcastle upon Tyne.
Smith, R. J. (L. F. Leutchford), London.
Smits, L. P. J. (M. J. Jackman), London.
Smyth, J. R. (H. Keate), Manchester.
Snowden, K. G. (W. G. Wallwork), Preston.
Snowden, W. A. (E. K. Locking), Hull.
Somerville, D. K. (F. C. Holloway), London.
Sparrow, J. O. (F. J. Thompson), London.
Spencer, C. M. (W. E. Parker), London.
Spencer, E. B. (G. Withnall), Birmingham.
Springbett, J. S. L. (A. F. Christlieb), London.
Starkey, C. S. (T. C. Capey), Newcastle upon Tyne.
Stevens, D. S. (R. H. Stevens), London.
Stewart-Sandeman, N. (A. G. B. Gunn), London.
Stockitt, P. B. (H. W. Fisher), London.
Stone, R. T. J. (A. I. Wyborn), London.
Stott, J. P. (W. Lodge), Liverpool.
Stretton, D. B. (W. Y. Thomson), London.
Stuttard, R. (J. W. Kneeshaw), Burnley.
Sydney, L. I. (L. King), Liverpool.

*Tayal, Y. S. (W. H. Johnstone), London.
Taylor, P. D. (J. N. Haworth), Manchester.
Taylor, R. A. (C. G. Hayes), London.
Taylor, R. D. (J. H. Schotness), London.
Thickett, J. A. (H. G. Atkinson), Hull.
Thomas, R. A. (E. A. Harris), Bristol.
Thomas, R. V. (S. W. Ehret), Birmingham.
Thompson, D. W. (H. T. Lambert), Birmingham.
Thompson, S. A. (H. E. Boak), Bishop's Stortford.
Thorndike, C. W. (J. E. Thomas), Bangor.
Thorne, R. W. (D. R. Cole), London.
Thurston, E. A. (J. C. Gardiner), London.
Tombs, F. G. (H. Bailey), London.
Tomlinson, R. T. (F. I. Nickson), Blackpool.
Townend, P. W. (F. W. Etchells), Huddersfield.
Townsend, J. (E. T. Denton), Liverpool.

Udy, J. F. (F. L. Oldham), Boston, Lincs.

van Zwanenberg, M. (T. Howorth), London.

Walker, B. C. (L. M. Biggs), Guildford.
Walker, R. (H. W. May), Chelmsford.
Wallace, I. A. (W. Wallace), Brighton.

* See also Certificates of Merit above.

Waller, W. R. (J. F. T. Nangle), London.
Walton, I. W. (G. Anderson), Newcastle upon Tyne.
Wand, K. M. O. (A. E. Smith), Winchester.
Ward, M. (R. Jennings), Sunderland.
Warlow, J. M. (E. W. Warlow), Ormskirk.
Webb, P. D. (formerly with A. R. Webb, deceased), Manchester.
Webb, T. J. (A. B. Sandal), Wisbech.
Webster, A. P. (L. Blackie), London.
Weingott, D. J. (A. Beckman), London.
Welchman, A. D. (B. L. Monahan), Swindon.
Wells, D. R. (H. London), London.
Wenham, G. J. C. (C. Stevens), London.
West, N. E. (J. G. A. Ellis), Portsmouth.
West, W. P. (R. E. Davis), Leicester.
Wharram, M. S. (M. S. Walker), Bradford.
White, B. (E. W. Walford), Stockton-on-Tees.
White, W. A. (C. C. Clarke), London.
Whitehouse, B. C. (T. A. H. Baynes), Birmingham.
Whiting, R. L. (M. Sheppard), Maidenhead.
Willis, N. G. (F. W. Poulsom), Liverpool.
Wilsdon, R. A. (G. B. Watson), Oxford.
Wilson, G. B. (L. Stowell), Manchester.
Wilson, H. A. V. (J. H. Saunter), London.
Wilson, S. S. (M. F. Hudson), London.
Winter, A. C. (D. Winter), London.
Witts, E. J. (G. S. Hall), London.
Womersley, E. (F. V. Lambert), Halifax.
Wood, B. W. (F. M. L. Fitzwilliams), London.
Wood, F. G. (A. G. A. Rainey), London.
Wood, J. L. (J. P. Wood), Burnley.
Wood, R. D. (J. H. B. Young), Canterbury.
Woodhead, F. G. (C. A. Harrison), Bradford.
Wright, J. T. (A. E. Ginger), High Wycombe.
Wyatt, E. W. (H. W. Sydenham), London.

444 Candidates passed. ***597 Candidates failed.***

'O.C. Railton' Prize for the year 1950

Ray, Edward Ernest (L. C. Coe), London. (*May* 1950 *Final Examination.*)

INTERMEDIATE EXAMINATION

Held on November 21st, 22nd and 23rd, 1950

Certificates of Merit with Prizes Awarded

First Certificate of Merit, the Institute Prize, and the 'Plender' Prizes for the Book-keeping and Accounts (Limited Companies) and the Taxation and Cost Accounting Papers
Range, Dudley Lawrence (F. H. C. Christmas), London.

Second Certificate of Merit and the 'Robert Fletcher' Prize
Pearlman, Gerald Alan (R. A. Barter), London.

Third Certificate of Merit
Collins, Desmond Francis (A. Riley), London.

Fourth Certificate of Merit, the 'West' Prize, and the 'Plender' Prize for the General Commercial Knowledge Paper
Dean, Walter Richard (E. Bosley), Birmingham.

Fourth Certificate of Merit, the 'Frederick Whinney' Prize, and the 'Plender' Prize for the Book-keeping and Accounts (Partnership) Paper
Shroff, Manoranjan Ratilal (M. Striker), London.

Sixth Certificate of Merit
Barrington, Kenneth Charles Peto (B. H. Binder), London.

Seventh Certificate of Merit
Jenner, Michael Henley (G. Place), East Grinstead.

Eighth Certificate of Merit and the 'Plender' Prize for the Book-keeping and Accounts (Executorship) Paper
Ullman, John (D. B. Hirshfield), London.

Ninth Certificate of Merit
Arnold, John Albert (M. C. Archer), London.

Tenth Certificate of Merit
Jarrett, Michael Richard (T. B. Hughes), London.

Eleventh Certificate of Merit
Jolly, Donald Cyril (R. D. C. Webb), London.

Twelfth Certificate of Merit
Matthew, Robert Lovell (L. G. Rand), London.
Williams, Howard (A. E. H. Benard), London.

Fourteenth Certificate of Merit
Harrison, Leslie (C. W. Smee), London.
Letch, Frank William (E. W. Dowdy), London.

Full List of Names of Successful Candidates
(in alphabetical order)

Abrahams, H. (P. R. Hart), London.
Adams, G. B. (L. P. Nicholls), London.
Adams, J. G. (R. G. Pegler), London.
Addy, R. T. (G. A. Raines), London.
Ainsworth, A. (F. Taylor), Blackburn.
Alam, F. (S. Allport), London.
Alderdice, K. (J. W. Donald), Newcastle upon Tyne.
Alles, J. N. (W. Rosser-James), London.
Allison, A. (J. R. Burne), Liverpool.
Alton, J. D. (P. H. Smith), Harrogate.
*Arnold, J. A. (M. C. Archer), London.
Austin, J. M. (J. S. Freeborough), London.
Ayre, G. B. (H. A. West), Berwick-on-Tweed.

Bainbridge, H. A. (A. Johnson), Liverpool.
Ball (Miss), B. E. (T. G. Darlington), London.
Bardell, G. T. (I. O. MacLeod), Birmingham.
Barlow, C. R. (F. T. Wright), London.
Barlow, G. S. (P. Nuttall), Manchester.
Barlow, J. (F. A. Bardsley), Manchester.
Barlow, K. C. (C. W. Elliott), Hounslow.
Barnes, E. A. (J. V. Eastwood), Manchester.

* See also Certificates of Merit above.

Barnett, L. A. (H. D. Bradley), London.
*Barrington, K. C. P. (B. H. Binder), London.
Bashall, G. F. (J. Donaldson), Preston.
Beck, C. D. (F. S. Kott), Manchester.
Beck, J. E. (B. C. Dixie), London.
Beckingham, G. (D. N. Walton), Manchester.
Beech, F. W. (N. G. Lancaster), Birmingham.
Bell, E. A. (G. H. Bowler), Liverpool.
Bethell, P. J. (C. G. Sparrow), Stockton-on-Tees.
Billing, P. A. E. (A. R. Avens), Portsmouth.
Billington, R. S. J. (E. J. Nicholls), London.
Bingham, T. P. (J. Pitchers), London.
Birchall, W. S. (J. G. Sankey), Manchester.
Bird, A. R. (W. A. Chardin), London.
Black, C. A. (P. Fisher), London.
Blackburn, M. J. (R. H. MacIntyre), London.
Bloch, L. (B. Braham), London.
Bloom, N. (A. Marks), London.
Bolitho (Miss), M. M. (J. D. Lyall), Penzance.
Bond, H. G. (W. F. Ewbank), London.
Bowers, N. (J. Morris), Manchester.
Bowker, G. W. (R. Parker), Manchester.
Bowman-Vaughan, M. J. (B. Walker), Great Yarmouth.
Bowtell, R. C. (E. C. Patrick), Farnham.
Boxall, G. G. (H. J. Wells), London.
Boyle, G. A. (formerly with B. Sangster, deceased), Slough.
Bradley, J. (M. C. Stothert), Bournemouth.
Bradley, R. A. (R. C. Barnes), London.
Brennan, J. D. (C. A. Hunter), St. Helens.
Brennan, R. P. (T. A. Morton), London.
Brett, M. J. (H. Stones), Hinckley.
Broatch, J. M. (C. C. Inwood), Worthing.
Bromfield, R. N. (J. Godfrey), London.
Brook, P. H. (F. E. Ellis), London.
Brooks, J. D. (W. Yarwood), Harrow.
Brown (Miss), A. V. (C. I. Steen), London.
Brown, G. L. (S. C. Mallett), Birmingham.
Brown, K. V. (L. W. Underwood), Nottingham.
Brown, L. G. W. (C. Mourant), London.
Brown, P. R. (T. C. Squance), Sunderland.
Browne, F. J. (A. E. Shaw), Norwich.
Bucknall, B. N. (C. J. C. Tildesley), Wolverhampton.
Bullin, J. E. (A. N. Myers), Cambridge.
Burfoot, M. A. (W. J. Leeming), London.
Burman, P. R. (J. W. E. Crooke), Birmingham.
Burrow, T. (J. B. P. Williamson), London.
Burt, R. E. (E. D. Miller), London.
Burton, J. E. (T. O. Brennan), London.
Burton, K. H. (H. A. R. J. Wilson), London.
Burtwell, G. A. (C. J. Comins), London.

Callaghan, J. R. (C. W. Bellamy), London.
Camfield, G. R. (C. H. March), Cardiff.
Carroll, B. J. (R. G. Emery), Manchester.
Carpenter, P. B. P. (M. S. Ell), Henley-on-Thames.
Carter, E. N. (K. G. Ayling), Bournemouth.
Carter, F. W. (W. E. Thompson), Manchester.
Catford, B. J. (H. S. Thompson), London.
Cator, F. (R. G. R. Sisson), Great Yarmouth.
Chaddah, B. R. (I. B. Goldstein), London.
Chamberlain, J. (T. D. C. Taft), Nottingham.
Chandler, A. J. (R. V. Garton), Huddersfield.
Chaplin, S. F. (D. A. Smith), Stafford.
Charlton, M. A. (S. Kitchen), Birmingham.
Clark, T. A. (H. R. Smith), Liverpool.
Clarke, H. R. (G. R. Appleyard), London.
Clarke, P. N. (S. R. Dunwoody), London.
Clover, C. M. (F. V. Hussey), Ipswich.
Coleman, M. L. (G. F. Wildash), Worthing.
Collett, C. (R. Walton), Leeds.
*Collins, D. F. (A. Riley), London.
Collins, R. M. (S. K. Stott), Manchester.
Collins, W. S. (E. E. V. Rowley), Leicester.
Cooper, A. V. (C. Croxton-Smith), Bristol.
Coppen, P. W. E. (H. W. May), Chelmsford.
Cordess, A. E. (G. S. Kerr), London.
Corfield, R. (J. B. Brierley), Oldham.
Cowley, G. R. (E. Lucas), Bedford.
Cox, M. W. (W. F. Curtis), Exeter.
Cox, P. A. C. (M. St. A. Moore), London.
Crosthwaite, D. J. O. (E. H. Wingfield), London.
Crump, J. V. (G. H. P. Laban), London.
Cumming, K. E. M. (J. W. Martin), London.
Cundy, A. B. (H. F. Palmer), Nottingham.
Cunningham, W. (F. S. Smith), London.

Daly, T. P. (J. D. C. Stone), London.
Davie, R. H. (B. Marsh), London.
Davies, G. L. (A. E. Lacon), Wolverhampton.
Davis, K. E. (L. R. Armitage), Enfield.
Davis, N. (L. Grahame), London.
Dawes, G. W. (S. L. Forwood), London.
Day, C. (C. R. Tallon), London.
Day, D. A. (E. D. D'Alton), London.
*Dean, W. R. (E. Bosley), Birmingham.
de la Rue, D. C. (D. B. Sharp), London.
Dempster, G. R. (F. H. Sterry), Whitley Bay.
Devey, G. R. (A. Pennington), London.
Dixon, N. W. (J. F. Allan), Liverpool.
Dixon, P. S. (H. H. Blackburn), Bradford.
Docwra, D. H. (N. Brett), London.
Dodd, P. T. J. (S. A. Letts), London.
Donovan, J. D. (H. Evans), London.
Dorey, G. S. (S. H. Smith), London.
Double, B. K. (H. M. Crawford), Colchester.
Dougall, A. F. (J. Hannaford), London.
Douthwaite, J. A. (E. J. Pulleyn), York.
Downing, E. E. (F. Woodhams), London.
Downing, H. (R. W. Swinbank), Stockton-on-Tees.
Dowswell, L. V. (S. S. Morton), London.
Drennen, P. R. M. (E. B. Collier), London.
Duckett, D. (F. H. Duckett), Leeds.
Durgan, R. W. (J. C. Luckin), Chelmsford.

East, P. G. M. (J. E. Critchley), Oxford.
Eastoe, B. E. (R. Pinto), London.
Eastwood, D. A. (R. A. Hornby), Preston.
Edwards, R. H. (J. L. Knight), Oswestry.
Ellis, W. E. (C. R. Gaulter), Blackpool.
Elms, M. L. H. (V. S. L. Jordan), Newton Abbot.
Emsley, A. J. (J. G. Hanwell), Hull.
English, K. (J. H. Eltringham), Darlington.
Evans, D. E. (G. H. Bowler), Liverpool.
Ezekiel, D. R. S. (H. H. de C. Moore), London.

Fairhurst, G. A. (F. T. Snow), London.
Fallon, D. J. (W. Whinnerah), Liverpool.
Farr, G. I. (J. M. S. Coates), Newcastle upon Tyne.
Fawcett, K. (S. D. Jacob), Birmingham.
Fenton, F. (J. Hopkinson), Fleetwood.
Ferguson, N. J. (D. E. Webb), London.
Fielder, W. H. (C. B. Fytche), London.
Fine, D. B. M. (H. B. C. Smith), London.
Fisher, M. H. M. (F. A. Bell), London.
Fitzhugh, D. A. (E. T. Peckham), London.
Forbes, P. C. (F. C. Griffiths), London.
Freeman, R. O. O. (R. H. Jenkins), London.
Frier, I. J. (E. E. Wilding), London.
Frodin, L. (T. W. Mackrill), Hull.
Fryer, D. W. (S. Barlow), Manchester.

Gamble, H. C. (L. Jacobs), London.
Gammon, J. E. R. (W. G. Medlam), London.
Garside, J. J. (J. B. Garside), Blackpool.
Geduld, V. M. (M. Lytton), London.
Gibbs, D. E. (D. H. Cantrell), London.
Gibbs, P. H. (A. E. Cook), London.
Gibson, J. H. (F. J. Eves), Colchester.
Gilmour, B. S. (K. S. Withers), Manchester.
Golder, R. (G. Stalker), Newcastle upon Tyne.
Goodwin, P. (F. Hyde), Romford.
Gordon, L. A. (T. D. R. Bensted), Middlesbrough.
Gould, H. L. (S. Fawcett), Salisbury.
Goulder, B. R. (W. G. Densem), London.
Graham, J. L. M. (A. A. Davies), Birmingham.
Grassan, D. R. (S. Johnson), London.
Greaves, P. A. F. (B. Marsh), London.
Green, A. E. (J. Green), London.
Greenfield, R. H. (I. Nixon), Newcastle upon Tyne.
Greenwood, W. (A. H. Taylor), Halifax.
Grey, E. P. (G. B. Judd), London.
Griffin, A. D. G. (A. C. C. Oddie), Bristol.
Griffiths, J. H. (D. T. Jeremy), Swansea.
Grigg, D. (A. F. Jones), Worcester.
Grindrod, G. K. (T. Holden), Fleetwood.
Guhathakurta, A. K. (M. J. Goldburgh), London.
Guile, R. E. (F. E. Taylor), Worthing.
Gunning, A. (H. Rhodes), Hebden Bridge.
Gusterson, R. G. (C. H. Dew), Leamington Spa.

Haines, D. G. (G. C. Ratnage), London.
Hall, A. F. (G. S. Kerr), London.

* See also Certificates of Merit above.

Hall, G. E. (H. G. Cooper), London.
Ham, R. (P. Westhead), Manchester.
Hamilton, J. R. (K. D. Hutton), London.
Harding, P. M. (A. E. Spencer), Leicester.
Hards, N. W. (G. Carew-Jones), London.
Hardy, D. G. U. (F. M. Kellett), Newcastle upon Tyne.
Hargreaves, A. B. (H. C. Davie), Blackburn.
Hargreaves, D. (E. Sugden), Leeds.
*Harrison, L. (C. W. Smee), London.
Haslem, J. D. (T. S. McIntyre), Derby.
Hatton, T. R. (L. P. Gibbs), London.
Hawkins, J. W. (M. B. Hewitt), Leeds.
Hayes, D. M. (A. Clark), Derby.
Heaton, D. (H. Mossop), Barrow-in-Furness.
Hector, G. (H. Holt), Manchester.
Heggs (Miss), C. (H. E. Barham), London.
Henry, R. P. (M. S. Bradford), London.
Hepworth, R. H. (H. Keate), Manchester.
Herdman, R. H. L. (R. L. Owen), Bristol.
Higgins, B. (K. B. Taylor), Manchester.
Hill, E. (J. M. Howarth), Bolton.
Hill, E. H. (J. W. Hearnshaw), Nottingham.
Hill, I. F. D. (G. K. Cook), Liverpool.
Hill, J. R. (F. Hill, Junr.), Liverpool.
Hill, W. (R. A. Masters), London.
Hillson, G. B. (N. Woolley), Manchester.
Hobbs, N. A. T. (H. Collins), London.
Hobden, J. L. (L. F. Judge), Hull.
Hobson, H. J. (J. G. A. Ellis), Portsmouth.
Hobson, J. M. F. (H. B. Vanstone), Manchester.
Hockley, F. G. (R. W. L. Clench), London.
Hodge (Miss), M. A. (C. M. Collings), Bishop's Stortford.
Hollerin, J. (J. A. Chapman), Newcastle upon Tyne.
Hooper, A. J. (C. Wintle), Birmingham.
Hooper, N. E. (J. W. Vincent), London.
Horne, R. E. (D. E. F. Green), London.
Hubbard, T. F. (H. M. Hawthorne), London.
Hudson, G. M. (V. Walton), Leeds.
Hurst, J. G. (L. G. Davies), Liverpool.
Hutton, A. de S. (G. H. Yarnell), Brighton.

Illing, G. H. (D. G. Clark), London.
Ince-Jones, F. B. (W. G. Antrobus), London.
Ingram, G. G. (I. Legge), Liverpool.
Ivory, A. F. (A. M. Edwards), Luton.

James, F. C. (H. A. Smith), Birmingham.
*Jarrett, M. R. (T. B. Hughes), London.
*Jenner, M. H. (G. Place), East Grinstead.
Jennings, B. E. (O. S. Holmes), Sheffield.
Jennings, H. A. (J. Hacking), Lancaster.
Jesty, D. V. (B. Franklin), London.
Jinks, D. R. (G. Hey), Manchester.
Johnson, D. (W. S. C. Charles), Carlisle.
Johnson, D. A. (J. I. Calcott), Leamington Spa.
Johnson, H. M. (R. A. Folland), Birmingham.
Johnson, R. (E. Messenger), Manchester.
*Jolly, D. C. (R. D. C. Webb), London.
Jones, N. L. (N. G. Phillips), London.
Jones, N. S. (W. G. Wilson), Liverpool.
Jones, W. H. (A. B. Snow), Crewe.
Joughin, M. J. (F. C. A. Ledsam), Birmingham.
Jowett, B. H. (D. W. Malpas), Bournemouth.
Jowitt, J. B. (A. C. Goddard), London.

Keane, B. (G. E. Martindale), London.
Kelley, T. L. (A. J. Loarridge), London.
Kelway, J. V. (N. D. Ednie), Bedford.
Kempton, K. W. (W. A. Davies), London.
Kenyon, R. J. (F. W. Buck), Manchester.
Khan, Y. M. (L. B. Blackler), London.
Killick, B. N. E. (J. C. Gardner), London.
Kilvington, H. B. (H. H. Kilvington), West Hartlepool.
King, D. (J. H. Golcher), Leicester.
King, D. A. C. (R. Sladden), London.
King, L. H. (R. D. Edge), Manchester.
Kirby, P. S. (L. M. Turnbull), London.
Kirk, T. C. (R. M. Cathcart), London.
Klee, G. P. (D. R. Andrew), Great Malvern.
Knight, C. W. G. (H. H. Thomas), London.
Knight, R. B. (A. P. Hughes), London.
Knight, S. W. (L. D. Clarke), London.
Knights, D. J. (G. G. G. Goult), Ipswich.
Knott, G. W. H. (C. C. Taylor), London.
Knowles, R. B. (T. S. Rawlinson), Bradford.

Lambert, P. (F. I. Edwards), Birmingham.
Lancet, D. (L. Goldwyn), London.
Lane, P. W. (L. R. Armitage), Enfield.
Langford, P. G. (O. W. Horne), Portsmouth.
Larking, P. C. G. (C. G. Larking), Maidstone.
Lazarus, E. H. (D. Shor), London.
Leckie, J. K. (H. N. Butler), London.
Leech, F. D. (C. W. Hamilton), London.
Leigh, M. P. V. (A. Jolly), Hove.
Lenny, C. A. (S. R. Woodgett), Longton.
Leonard, D. G. (A. Rawlins), London.
*Letch, F. W. (E. W. Dowdy), London.
Levers, G. J. (J. B. S. Marsh), Loughborough.
Levy, A. E. (J. L. Stevenson), London.
Levy, G. A. (M. C. George), London.
Lewis, J. F. (A. G. Thomas), Sheffield.
Lewis, R. W. (C. G. Jolliffe), Newport.
Linden, F. S. (J. F. S. Rogers), London.
Loader, F. R. (C. J. G. Hughes), London.

McDonald, I. D. (P. G. Lambirth), Kingston-on-Thames.
Macdonald, K. M. (G. F. Saunders), Liverpool.
McGuire, S. P. (D. A. P. Gould), Norwich.
Mack (Miss), S. (O. A. J. Ling), Derby.
McWilliams, J. G. (J. Robinson), Newcastle upon Tyne.
Makin, P. (S. R. Aldrich), Preston.
Mansfield, E. F. (Sir R. A. Jenks, Bt.), London.
Marshall, P. E. (P. T. Neal), Birmingham.
Marshall, S. J. H. (R. G. R. Sisson), Great Yarmouth.
Marten-Smith, H. J. (C. H. Appleby), London.
Martin, J. P. B. (P. A. Leicester), Worcester.
Martin, N. T. D. (T. Leake), Wigan.
Martin, O. N. (K. R. Cork), London.
Martin, R. E. (H. P. Allsop), Birmingham.
Marwood, M. H. (B. H. Brewill), Nottingham.
Mascarenhas, W. L. (F. Green), London.
Maskell, R. W. L. (W. R. Clemens), London.
Mason, S. R. (E. Royce), Manchester.
Mason, W. N. (A. Golland), Rochdale.
Masters, I. W. (E. W. Watts), London.
Masters-Thomas, P. G. (A. A. Lowe), London.
Matthams, E. W. (R. J. Pigott), Oxford.
*Matthew, R. L. (L. G. Rand), London.
Mawdsley, T. A. (J. M. Hanmer), Liverpool.
Mayers, G. (J. Talbot), Liverpool.
Meacham, M. B. (H. Sanders), Wolverhampton.
Mead, N. J. (W. J. Lawrence), Basingstoke.
Meatyard, R. N. (Sir R. A. Jenks, Bt.), London.
Mellody, B. (T. Finch), Blackburn.
Melvin, H. W. (A. N. D. Smith), London.
Middleton, T. C. (G. H. Middleton), Newcastle upon Tyne.
Mitton, R. F. (B. Collins), Manchester.
Mold, J. K. (J. F. Hodges), Welshpool.
Money-Coutts, H. N. (Sir N. E. Waterhouse), London.
Mooney, R. D. (W. R. Burrough), London.
Morcom, G. C. (S. L. Forwood), London.
Morley, H. S. (P. A. Leicester), Worcester.
Morpeth, D. S. (J. M. P. Bishop), London.
Morris, E. (A. Parker), London.
Morris, G. S. (H. K. S. Clark), London.
Morris, T. (E. P. D. Taylor), Liverpool.
Morrison, M. (E. H. Bellamy), Birmingham.
Moseley, P. T. (H. A. Ryley), Smethwick.
Moses, D. J. (G. H. Roberts), London.
Mould, J. G. (H. W. Ward), Southsea.
Murr, B. E. (F. J. Wheeler), London.

Naish, P. F. (W. S. Carrington), London.
Newell, D. B. (R. L. Latimer), London.
Newman, T. (I. G. de Mesquita), London.
Newton, G. H. (T. R. Maltby), Leeds.
Nichols, J. W. (W. T. Williams), London.
Nield, A. R. (R. H. Buckle), Birmingham.
Normandale, C. J. (C. U. Peat), London.

O'Callaghan, T. J. A. (J. F. Atkinson), Brighton.
O'Malley, J. P. (R. S. Weir), Liverpool.
Omar, A. A. M. (N. H. Keen), London.
O'Neill, T. R. D. (R. L. Patchett), Scunthorpe.
O'Reilly, M. E. (F. E. Worley), Chichester.
Osborne, J. T. (R. J. Osborne), London.

Page, E. H. (J. Page), Liverpool.
Page, J. M. (G. G. Youngs), Norwich.
Palmer, A. N. (A. C. Judd), London.
Parker, D. T. (S. A. Cayzer), High Wycombe.

* See also Certificates of Merit above.

Parkes, M. P. (E. B. Westwood), Birmingham.
Patterson, I. J. (H. N. Butler), London.
Paul, P. J. B. (C. W. Tyrrell), London.
Pawlyn, D. E. A. (W. S. Carrington), London.
Payne, J. G. (A. Whitlow), London.
Pearce, C. W. (J. B. Mead), London.
Pearce, G. A. (L. W. Bingham), London.
*Pearlman, G. A. (R. A. Barter), London.
Pearse, G. W. (T. J. Bond), London.
Peate, M. G. (K. C. Fox), London.
Pendlebury, F. A. (J. F. Gill), Blackpool.
Pepper, G. F. (R. W. Cox), Nottingham.
Perkins, D. F. (F. C. A. Ledsam), Birmingham.
Pescott-Day, A. A. (P. F. Granger), Nottingham.
Peters, J. S. (R. J. Payne), Swansea.
Petty, R. W. (W. F. Pearce), Leeds.
Pinsker, H. (C. E. Smedley), London.
Pitkethly, G. E. (G. Magnay), Newcastle upon Tyne.
Plater, J. R. (W. E. C. Offer), Oxford.
Price, E. H. (C. H. Young), Bristol.
Pritchard, J. A. (D. F. Hopkinson), West Bromwich.
Procter, W. (H. Mossop), Barrow-in-Furness.
Purcell, M. P. (H. T. Nicholson), Liverpool.
Pybus, A. W. (G. A. Raymond), Tunbridge Wells.

Rafferty, J. (A. W. Wheeler), Tamworth.
Raine, C. S. (J. L. Lichman), London.
Randall, H. J. (S. F. Homewood), London.
*Range, D. L. (F. H. C. Christmas), London.
Rawcliffe, J. O. (N. L. R. Trounce), Manchester.
Rees, A. P. (R. R. Coomber), London.
Reeves, D. C. (V. F. Stedeford), Birmingham.
Reville, E. (P. R. Hackett), Birmingham.
Reynard, E. I. (T. M. Threlfall), Nelson.
Rhodes, E. R. (G. G. Rhodes), London.
Richardson, M. A. (C. T. Plant), Derby.
Riddelsdell, M. E. (P. W. Mertens), London.
Riley, G. S. (F. C. T. Lane), London.
Rimmer, K. W. (V. F. Stedeford), Birmingham.
Roberts, D. B. (W. A. Dodd), Manchester.
Robey, E. P. (B. H. Jones), Reading.
Robinson, P. (J. Thompson), Bury.
Rodd, P. C. W. (R. Philp), London.
Rodgers, D. T. (E. J. N. Nabarro), London. (*'Plender' Prize for the Auditing Paper.*)
Rogers, B. W. G. (G. Little), London.
Rollings, G. G. (C. H. Bradfield), Neath.
Roscoe, W. F. (E. D. Makepeace), London.
Rose, G. E. (R. R. Dewing), Norwich.
Rostern, D. N. (R. M. Peat), London.
Rowswell, G. G. (E. S. D. Bavin), London.

Salisbury, G. N. (I. O. MacLeod), Birmingham.
Salomon, R. N. (C. H. Barham), London.
Sampson, J. (L. R. Lewis), Luton.
Scanlon, J. O. (E. W. G. Joicey-Cecil), London.
Scott, M. K. M. (P. H. Jackman), London.
Seal, P. D. (S. G. G. Ohly), Hove.
Sedcole, C. F. (F. Sedcole), London.
Seth-Smith, M. (E. F. G. Whinney), London.
Shalit, D. M. (K. M. Scott), London.
Sharpe, D. G. (H. Rhodes), Halifax.
Shaw, C. R. (W. H. Clifford), Southwell.
Shepherd, J. B. (T. D. R. Bensted), Middlesbrough.
Shipton, D. (E. W. Glaister), Carlisle.
*Shroff, M. R. (M. Striker), London.
Simmerson, R. E. (J. S. Haywood), Sheffield.
Simmons, A. H. (S. Kershen), London.
Skea, P. G. (W. Moss), Ashton-under-Lyne.
Smerdon, J. A. G. (V. C. Burston), Bridgwater.
Smith, B. S. P. (J. P. Moll), London.
Smith, C. A. (A. P. Turner), Loughborough.
Smith, C. W. (A. B. Sandal), Wisbech.
Smith, D. H. (A. J. Whitington), Winchester.
Smith, J. I. (J. W. Morrell), London.
Smith, P. W. (D. G. Roberts), London.
Smith, R. H. (G. M. Harrison), Horsham.
Snape, D. B. (P. R. Fowler), Manchester.
Snodgrass, G. A. (M. W. Trott), Axminster.
Solomons, A. N. (N. G. Reeves), London.
South, P. C. B. (R. L. Crowther), Leeds.
Sprange, R. S. (T. B. Hughes), London.
Stalley, R. W. (J. A. Deed), London.
Staniforth, J. E. (G. L. Atherton), Bridport.
Starr, R. B. (A. F. Clarke), Liverpool.
Staveley, N. S. (L. F. Judge), Hull.
Steptoe, R. P. (E. Caldwell), London.
Stern, P. (S. Bartfield), Leeds.
Stevens, E. (W. Taylor), Burnley.
Steward, S. J. (L. D. Clarke), London.
Stewart, G. (D. A. Jacobs), London.
Stockman, L. (B. A. W. Fox), London.
Sturgess, D. A. (J. L. Rose), Derby.
Sumpter, J. D. (T. W. Henshaw), Derby.
Sutton, B. F. (V. B. Richardson), London.

Tant, D. A. (H. F. Payne), London.
Tatton, K. (T. A. Nicklin), Birmingham.
Taylor, J. H. (A. T. Buckingham), London.
Taylor, L. E. (S. R. Eason), Sheerness.
Taylor, M. R. (C. N. Starbuck), Birmingham.
Taylor, R. K. (W. M. Lowick), Bristol.
Taylor, V. M. (A. L. Harland), Stockton-on-Tees.
Tetley, S. J. (E. H. Glaisby), Leeds.
Thomas, G. O. (G. S. Norris), Liverpool.
Thomas, M. G. (A. H. Lawrence), Cardiff.
Thompson, A. (F. P. Bleach), Leeds.
Thompson, A. ff. (C. R. Daniel), Cardiff.
Thompson, C. G. (T. C. Y. Hughes), London.
Thompson, P. E. D. (E. W. B. Cotterell), Birmingham.
Thorp, M. D. (N. D. Ednie), Bedford.
Thwaites (Miss), D. (F. N. Griffiths), Kendal.
Townsend, M. J. R. (A. A. Davies), Birmingham.
Tregoning, B. (G. L. Bice), Truro.
Trigwell, D. A. (H. A. Snelling), London.
Truby, P. A. (E. C. Mallett), Hull.
Tushinsky, B. (H. Arbeid), London.

*Ullman, J. (D. B. Hirshfield), London.

Vincocourt, A. (A. R. Hunter), London.
Vinter, A. J. (A. W. H. Turketine), London.
Voaden, N. C. (R. Holden), Blackburn.

Waghorn, A. L. (W. A. Dodd), Manchester.
Waite, T. E. (R. R. Fieldhouse), Manchester.
Walker, A. M. (D. A. Rolph), London.
Walker, P. V. (J. Newman), London.
Wall, E. A. (R. A. Williams), Monmouth.
Walmsley, G. P. (W. Dickinson), Blackburn.
Walters, H. D. H. (H. L. Layton), London.
Ward, G. L. (E. W. Hillyard), London.
Ward, J. R. (P. E. Thain), King's Lynn.
Warrener, K. (F. S. Mowforth), Hull.
Washbrook, C. H. (C. J. Jeffries), London.
Watkins, R. M. E. (R. S. Ford), London.
Watkins, R. W. (R. A. Welch), Birmingham.
Watson, J. M. (R. T. Walters), London.
Watts, A. F. P. (A. Hill), Dover.
Weaver, R. M. (C. H. Maggs), Bristol.
Weaver, R. P. (E. J. Wright), Manchester.
Weaver, T. H. E. (S. Grace), Bristol.
Webber, B. W. (W. A. Hand), London.
Webster, M. G. (R. G. Leach), London.
Wells, C. R. (D. Winter), London.
Welsford, P. A. (D. Smith), London.
West, P. (J. D. Hodgson), Launceston.
West, R. P. (D. R. Cole), London.
White, G. W. A. (C. J. H. Jones), Portsmouth.
White, J. A. M. (R. L. B. Guettier), London.
White, L. C. (A. W. Miles), Bournemouth.
Whiteley, R. H. (J. G. White), Stratford-on-Avon.
Whittaker, J. A. (W. Champ), Brighton.
Wijeyeratne, A. D. E. De S. (C. E. M. Cheetham), Manchester.
Wilcock, N. (N. O. Mayor), Morecambe and Heysham.
Wilkinson, D. (J. F. Tyson), Morecambe and Heysham.
*Williams, H. (A. E. H. Benard), London.
Wilson, J. G. (I. H. Howard), Bristol.
Wilson, T. (F. W. Freeman), Preston.
Wisniowiecki, S. (J. W. G. Cocke), London.
Woffenden, C. J. (C. H. Maggs), Bristol.
Wolton, R. B. (M. J. Jackman), London.
Wood, A. E. (M. S. Ell), Henley-on-Thames.
Wood, M. E. E. (E. T. Wood), London.
Wood, T. S. (A. G. Oliver), Birmingham.
Woodruff, S. W. (H. G. Daniels), Redhill.
Woodward, B. J. (K. B. Taylor), Manchester.
Woodwards (Miss), D. J. (J. Codling), Beaconsfield.
Wright, J. R. (J. A. Greatorex), Birmingham.

* See also Certificates of Merit above.

513 Candidates passed. ***584 Candidates failed.*** ***1 Candidate disqualified.***

PRELIMINARY EXAMINATION

Held on November 14th, 15th, 16th and 17th, 1950

Full List of Names of Successful Candidates

(in alphabetical order)

Abeyesundere, H. B. T., London.
Allcock, J. F., Redditch.
Allen, D. W., Doncaster.
Argyle, A., Sutton Coldfield.
Armstrong, L. E., Lytham St. Annes.
Ashton, K., Oldham.

Balderstone, J. P., Wellington, Shropshire.
Barton, J. R., Kenton.
Base, T. J., Bournemouth.
Batchelor, A. A., Birmingham.
Baxendale, H., Leeds.
Bentley, A. W., Wellington, Shropshire.
Bowers, F. V. P., London.
Bradford, R. J., Bristol.
Brooking, A. C., Bournemouth.
Brown, M., London.

Carrell, D. J., Sunderland.
Chubb, P. W., London.
Clarke, B. P., Liverpool.
Clarkson, P. B. A., Burnham-on-Sea.
Coombs, J. A., Windsor.
Coope, W. M., Bolton.
Coulter, J. D., Birmingham.
Coupe, R. L., Liverpool.
Crawford, C. W., Chislehurst.
Cross, B. M., Brimscombe.
Crowe, G. H. P., Chorley Wood.

De Lisser, R. O., London.
Dennis, R., Grimsby.
Dowden, M. C., Surbiton.
Duncan, J. S., Enfield.

Eastwood, C. F., Shrewsbury.
Eastwood, W. H., Fleetwood.
Eaves, E. A., Manchester.
Ellam, N. M. J., Weybridge.
Emery, G. H., London.

Fox, J. S., Godalming.

Gager, E. R., Grays.
Gething, J. A. B., Wilmslow.
Gotts, R. D., Thames Ditton.
Gould, T. B. Manchester.
Grace, A. P. S., Birmingham.
Granger, P., Aslockton.

Haben, D. G. W., Brighton.
Hackett (Miss), S., Liverpool.
Hamilton, W. I., Coalville.
Harbord, R., Kenley.
Hardman, G. A., Bolton.
Harwood, M. J., London.
Hill, J., Southampton.
Hollway, K. H. W., Richmond, Surrey.
Holroyd, J. R., Halifax.
Howe, W. W., Halifax.
Hutchinson, J. K., Nottingham.

Jack, R., London.
Jay (Miss), B. E., London.

Kapur, J. M., London.
Kauffman, M. A., London.

Langstone, B., Birmingham.
Lewis, P. V., Reigate.
Lilley, R. W., London.
Lugg, G. C., Birmingham.

Macnair, R. J., Cheltenham.
Mahon, W. R., Taunton.
Martin, M. R. N., London.
Mason, A. J., Ilkley.
Masterton, N. J., Birmingham.
Millet, J. L., London.
Mortimer, E. A., Nottingham.
Moseley, J., Hampton-in-Arden.
Moss, S. G., London.
Mounter, J. E., Guildford.

Neagus, R. H., Westcliff-on-Sea.
Nicholson, J. J., Derby.
Nightingale, M. E., Cheam.
Norman, G., Mitcham.

Parkes, K. A., Redditch.
Partner, M. R., Thornton Heath.
Perriam, C. P., Tiverton.
Pescud, T., Bexhill-on-Sea.
Phillips, A. D., London.

Rainford, K. G., Maghull.
Rawlinson, K. B., Manchester.
Rawson, P. R., Cambridge.
Read, M. G., Harrow.
Reynolds, G. B., Cheltenham.
Ronayne, P. H., London.
Rossiter, R. W., Bristol.

Seshold, G. B., London.
Shah, K. M. M., London.
Simmonds, M., Kingswood.
Smails, W. P., Stanmore.
Speight, W. N., Leeds.
Stevens, C. J., Tonbridge.
Stewart, B. S., Birmingham.
Stone, J. G., West Wickham.
Stoughton-Harris, A. G., Woking.
Sutcliffe, A., London.

Tanner, E. I., London.
Thomas, T. J. L., London.

Walton, B. S., Stockport.
Watson, M. J. B., Epsom.
Watt, I. G., Polegate.
Wells, J. R., London.
Widmer, A. D., Greenford.
Wilkes, A. D., Hove.
Willers, G. A., Grantham.
Wilson, C. R., Ilford.

Young, R. J., Worcester Park.
Young, S., London.

110 Candidates passed. ***155 Candidates failed.***

'Deloitte' Prize for the year 1950

Jackson, John Francis Norman (Sunderland) (*May* 1950 *Preliminary Examination*)

Summary of Results

	Final	*Intermediate*	*Preliminary*	*Total*
Candidates Successful ..	444	513	110	1,067
Candidates Failed	597	584	155	1,336
Candidates Disqualified ..	–	1	–	1
Candidates Sat	1,041	1,098	265	2,404

NOTES AND NOTICES

Personal

MESSRS FRYER, SUTTON, MORRIS & CO, announce that as from January 22nd, 1951, the address of their London office has been changed to 12 Coleman Street, London, EC2. Telephone: Monarch 6324–5.

MESSRS GILL & JOHNSON, of Nairobi, Kenya Colony, and of Dar-es-Salaam, Tanganyika, deeply regret to announce the sudden death on January 21st, 1951, of the senior partner, Mr E. B. GILL. The firm's business will be continued by the remaining partners.

MESSRS GEO. MACKENZIE & CO, Chartered Accountants, of Northern Trust Building, 28 Harrison Street, Johannesburg, announce that they have opened a branch office in Lusaka, Northern Rhodesia, under the style of GEO. MACKENZIE & CO, Chartered Accountants, where their address will be: Charter House, The Ridgeway, Lusaka, Northern Rhodesia, P.O. Box 252.

MESSRS PIKE, RUSSELL & CO, Chartered Accountants, of 7 Fitzroy Square, London, W1, announce with deep regret that their senior partner, Mr BASIL G. PIKE, F.C.A., died peacefully on January 23rd, 1951, at New Barnet.

In Parliament

INCOME TAX

Sir JOHN MELLOR asked the Chancellor of the Exchequer if he will extend to employees generally the same freedom from assessment to income-tax upon benefits in kind or cash allowances in lieu as he extends to coal-miners, who are not assessed upon free coal or cash substituted for free coal.

Mr GAITSKELL: In general, the value of benefits in kind received by an employee (other than a director or senior executive) is not assessable to tax unless the benefits are convertible into money. In this respect accordingly, the miner is treated the same as other employees. The exemption from tax of cash allowances paid to miners in lieu of free coal is a concession introduced during the war as part of a scheme to save coal by encouraging miners to accept such allowances instead. This concession has not yet been withdrawn, but I am afraid I could not agree that it should be regarded as a precedent for concessions in other fields.

Hansard, Jan. 30th, 1951. Oral Answers, Col. 722.

TAXATION: STATISTICS

Mr BAKER WHITE asked the Chancellor of the Exchequer if he will give, in sterling, to the nearest pound, figures for direct and indirect taxation per head of the population in Great Britain for the year ended March 31st, 1950, and an estimate of the figure for the year ending March 31st, 1951.

Mr GAITSKELL: In the year ended March 31st, 1950, the figures were £43 per head direct taxation and £30 indirect. The estimates for the current year are £42 per head direct and £31 indirect.

Hansard, Jan. 30th, 1951. Written Answers, Col. 9

The Institute of Chartered Accountants in England and Wales

ROLL OF HONOUR, 1939–45: DEDICATION SERVICE

As already announced in these columns, a Roll of Honour containing the names of 202 members of The Institute of Chartered Accountants in England and Wales and of 272 articled clerks who lost their lives in the war of 1939–45, is to be dedicated by the Right Reverend the Lord Bishop of Stepney.

We remind readers that the dedication service will be held on Wednesday, March 7th, 1951, at 3 p.m. at St Michael's Church, Cornhill, London, EC3, and will be conducted by the rector, the Reverend Prebendary G. F. Saywell. Readers are asked to note that admission to the service will be by card; any relative who wishes to attend and who has not received a notice about the service from the Institute should write to the secretary for particulars. After the service, tea will be served in the Oak Hall of the Institute; those attending the service are being asked if they would like to be present.

London and District Society of Chartered Accountants

'THE USE OF PUBLISHED ACCOUNTS'

At a meeting of the Society to be held in the Oak Hall of the Institute at 6 p.m. next Tuesday, February 13th, Mr W. H. Lawson, C.B.E., B.A., F.C.A., will give the views of an accountant on the points raised in the three addresses recently delivered to members on 'The use of published accounts'.

LUNCHEON: ADDRESS BY MR BEVERLEY BAXTER, M.P.

A luncheon, to which guests may be invited, will be held on Tuesday, March 13th, 1951, at the Connaught Rooms, Great Queen Street, Kingsway, WC2, at 12.45 for 1.0 p.m. Following the luncheon, an address will be given by Mr A. Beverley Baxter, M.P.

Applications for tickets (15*s* 6*d* each, including gratuities but excluding wines, etc.) should be made to the secretary, accompanied by remittance, not later than March 3rd, 1951.

The Corporation of Certified Secretaries

ANNUAL DINNER

The annual dinner of The Corporation of Certified Secretaries was attended by nearly 180 members and guests at Frascati's, London, on January 31st last.

Responding to the toast of 'The President', proposed by Mr Norman Griffiths, F.C.C.S., a member of the Council of the Corporation, the Right Hon. the Earl of Iddesleigh, President of the Corporation, announced his forthcoming resignation from the presidency. He paid tribute to the achievements of the Corporation.

Col. the Right Hon. Walter E. Elliot, M.C., M.P., proposed the toast of 'The Corporation of Certified Secretaries', and Alderman A. T. Pike, O.B.E., J.P., F.C.C.S., Chairman of the Corporation, responded.

Proposing a toast to 'Trade, Industry and Com-

merce', Lieut.-Comdr. The Right Hon. L. W. Joynson-Hicks, M.P., congratulated the Corporation on the success it has achieved during its twenty-eight years' life, and referred to secretaries as the physicians of trade, industry and commerce. Sir Arnold B. Gridley, K.B.E., M.P., Vice-President of the Corporation, responded.

Secretaries Chronicle

Following a decision of the Council of the Corporation approving the use by qualified members of the distinctive designation 'incorporated secretary' – as an optional alternative to 'certified secretary' – the name of the Corporation's official monthly journal has been changed to *Secretaries Chronicle*. The Council feel that this amendment to the title of *The Certified Secretaries' Journal* will place less emphasis upon the original designation of members of the Corporation.

The Chartered Accountant Students' Society of London

'Some problems of the industrial accountant' will be the subject of a lecture by Mr A. P. Ravenhill, F.C.A., chief accountant of Lever Bros. & Unilever Ltd, and a member of the Taxation and Research Committee of the Institute, to be given on Thursday, February 15th. The meeting will begin at 5.30 p.m., in the Oak Hall of the Institute, with Mr P. M. Rees, M.C., F.C.A., in the chair.

Fleetwood Branch Chartered Accountants' Society

At a meeting of the Fleetwood Branch Chartered Accountants' Society, a sub-branch of the North Lancashire branch of the Manchester Society of Chartered Accountants, held in Fleetwood on January 22nd, the following officers were elected for 1951:

Chairman: Mr J. Hopkinson, A.C.A. *Committee:* Messrs D. G. Bee, F.C.A., B. Green, A.C.A., T. Holden, A.C.A., F. Wheatley Knowles, F.C.A., A. A. Campbell, A.C.A., J. Turner, A.C.A. *Honorary Secretary:* Mr D. H. Preston, A.C.A.

Burnley Branch Chartered Accountants' Society

At the annual meeting of the Society, a sub-branch of the North Lancashire Branch of the Manchester Society of Chartered Accountants, held on January 26th, 1951, satisfaction was expressed with progress during the past year – particularly with the arrangement of lectures. A branch library has been formed in Burnley. The committee was reappointed *en bloc*, with the addition of Mr F. Baldwin, A.C.A.

Mr H. Gaukroger, F.C.A., presided at a dinner which followed the meeting: among the guests were: Messrs M. Wheatley-Jones, B.COM., F.C.A. (*President, Manchester Society*); H. Sutherst, F.C.A. (*Past-President*); D. G. Bee, F.C.A. (*Secretary, North Lancashire Branch*); C. Lorains, B.A.(COM.), F.C.I.I.; J. Parkinson, F.C.I.S., F.B.S. (*Assistant Manager, Burnley Building Society*); and F. H. Jacobson (*H.M. Inspector of Taxes*). Mr F. H. Brown, A.C.A., acted as toastmaster.

The Blackpool and Fylde Chartered Accountants Students' Society

A dinner dance will be held at the Queen's Hydro, Promenade, Blackpool, on February 28th. Tickets (15*s* each) may be obtained from Mr B. Cross, c/o Messrs F. C. and J. S. Darwell, Globe Chambers, Cedar Square, Blackpool.

Recent Publications

The Death Duties, Eleventh Edition, by Robert Dymond and Reginald K. Johns, LL.B. (Lond.). lxxxvii+856 pp. $9\frac{1}{2}\times 6$. 75*s* net. The Solicitors' Law Stationery Society Ltd, London.

The Substance of Economics, Thirteenth Edition, by H. A. Silverman. xvii+387 pp. $8\frac{1}{2}\times 5\frac{1}{2}$. 18*s* net. Sir Isaac Pitman & Sons Ltd, London.

Konstam's Income Tax, Eleventh Edition. Release 3, January 10th, 1951. Stevens & Sons Ltd, London.

Our Weekly Problem

No. 32: Office Tea

It was Miss Asset's birthday, and Charles, son of Mr L. U. Sidate, had gallantly offered to make tea for the four girls. As there were also four in his room he decided to make the tea in the big teapot which held enough for eight and pour off the exact amount for Miss Asset and the other girls into their teapot which normally was used for five. To do this he borrowed the partners' teapot which held enough for three.

If the tea were originally 300° *and every time it is poured from one pot to another it loses* 4°, *what was the temperature of the tea sent in to the party?*

The answer will be published next week.

Answer to No. 31. A Record to be Proud of

The number of days from 1901 to 1950 inclusive is 365×50+12 (leap years)=18,262. Add 27 days in January 1951 and deduct 26 days in January 1901, leaving 18,263 which, divided by 7, gives 2,609, i.e. the number of weeks from January 26th, 1901, to January 27th, 1951.

The number of *The Accountant* dated January 27th, 1951, was 3,971; deduct 1,364, leaving 2,607. The dates on which publication of *The Accountant* was officially prohibited were February 22nd and March 1st, 1947.

The Accountant

ESTABLISHED 1874

FEBRUARY 17TH 1951 VOL. CXXIV NO. 3974

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FARMERS' INCOMES

HOW much do English farmers earn? The taxation of all farming profits and the present elaborate system of subsidies give added interest to a report recently published by the Ministry of Agriculture and Fisheries giving statistics relating to farm incomes in England and Wales in the years 1944–45 to 1947–48 inclusive, together with some details for the years 1940–41 to 1943–44.[1] The report consists of some 180 pages of statistical tables together with a fifteen-page commentary on them. It is based on the farm management survey which was initiated in 1936, is carried out by agricultural economists at universities and colleges, and is financed by the Treasury. The national tabulation and analysis of the reports of these workers is carried out by the Ministry of Agriculture and Fisheries. The data are collected by means of returns from interested farmers. The farmers co-operating increased from 1,792 in 1941–42 to 2,890 in 1947–48, thus enabling the taking of more representative samples, although all are confined to farms which are worked on a commercial basis and in which the farmer himself is wholly or mainly occupied. Moreover, the sample is biased in favour of the larger farms.

There are several tables setting out the net incomes of the sample farms in the years 1940–41 to 1947–48. Income is defined for this purpose as the excess of revenue over expenditure, adjusted for opening and closing valuations of live and dead stock, with a notional rent deduction for owner occupiers. Machinery is included in dead stock, depreciated at rates not greatly dissimilar from those allowed by the Inland Revenue, except that the initial allowance and the extra one-quarter wear and tear are not deducted. Nothing is deducted for the wages of the farmer himself or of his wife and no adjustment is made of opening and closing values of cultivations, fertilizers, or consumable stores.

The figures given below cover farms of all sizes and types but other tables analyse them into districts and others show the profit per hundred acres. The average income per farm in 1940–41 was £885 and in 1941–42, £1,063. It fell to £641 in 1944–45, picked up to £766 in 1945–46, and fell again, reaching £531 in 1947–48. The year 1947 was marked by snow and intense cold, followed by floods. Otherwise, in view of generally rising prices, one would have expected a rise in farm incomes. Indeed, 35 per cent of all the farms in the sample failed to make more than £200 in 1947–48 as against 11 per cent in 1941–42 when the cost of living was much lower.

[1] H.M.S.O. 10*s* 6*d* net.

HOSPITAL COSTING IN SCOTLAND

SINCE the introduction of the national health service, we have on several occasions emphasized the need for a system of accounting and costs which will enable hospital authorities to secure adequate control over their expenditure and will ensure the making of more reliable comparisons between hospitals than is possible under existing methods. An interesting experiment in this connexion is in operation in Scotland, where the expenditure for the year 1949–50 was £21,933,000, equivalent to approximately £4 4*s* per head of the population. This information is given in a memorandum submitted to a Press conference by the Secretary of State for Scotland on January 31st, 1951, at which he outlined a new method of calculating unit costs which the establishment of a central authority had rendered possible.

Under this method – which is confined to hospitals in Scotland – hospital running costs are divided into the following three groups: *Group A:* maintenance of patients; this consists of items such as patients' food and dressings, the consumption of which in any given hospital varies more or less directly with the number of patients. *Group B:* general hospital expenditure: this covers items which are to a certain extent influenced by the variations in the number of patients, that is, the rate of occupancy, but do not vary in exact ratio to the number. Such items are salaries and wages of staff, and fuel, light and power. The cost of these will be greater when the hospital is full than when it is half full but it will not be doubled. *Group C:* hospital administration and overheads: this covers those items which are practically unaffected by variations in occupancy. To obtain a cost per occupied bed, expressed as a rate per day, the expenditure in each of these groups is divided as follows: group A, by the number of patient-days; group B, partly by patient-days and partly by bed-days; and group C, by bed-days. From these, a composite occupied bed-day rate is obtained. Figures are given in the memorandum showing how this formula works out for groups of hospitals for the year 1949–50. They will, it is stated,

> 'be useful to regional hospital boards and boards of management as yardsticks in considering the expenditure of the particular hospitals under their control. They will be able to see whether there is a significant variation upwards or downwards and they have the primary responsibility to assess how far the local circumstances justify it.'

But are the figures now given sufficient for this purpose? We doubt it, and our doubts are supported by comments in the memorandum itself, e.g.

> '. . . an increasing number of hospitals serve more than one purpose . . . no two hospitals are exactly alike in design, function and staffing . . . classification by type is to some extent arbitrary', etc.

Having regard to these and many other disturbing factors, we suggest that neither patient-day nor bed-day costs, nor indeed a combination of them, are adequate. They serve no greater purpose than the unit of cost per occupied bed now in use in England and Wales, the limitations of which are so well known as to require no further comment here.

The new method is an attempt to assess the effect on cost per patient-week of variations in bed occupancy. It was fully considered by the Costing Sub-Committee appointed by the Committee of Regional Board Treasurers which, although it agreed that expenditure could, in fact, be divided into the three categories stated, felt unable to advocate its general adoption on the grounds (1) that it was difficult of application; (2) proof of its accuracy was essential and this proof was extremely difficult to obtain; and (3) the difficulty of defending the use of a formula which although it appears scientific is, in fact, quite arbitrary. The limitations of the method are admitted by the Department of Health for Scotland, and it is to be supplemented by a comparative analysis of expenditure in various fields, e.g. food costs, costs of fuel, laundry costs, etc., and the taking out of costs for certain departments. As accountants will know, the taking out of isolated costs has some advantages, but it is not without many dangers.

We feel that the solution to the problem of the adequate control over hospital expenditure and securing maximum service at minimum cost will be found in the introduction of a system of accounts showing expenditure department by department, allied to a system of budgetary control. Both are essential.

LOSS OF PROFITS INSURANCE–I

by ERNEST A. SUCH

The author, who is a Fire Superintendent of the Royal Insurance Co Ltd and The Liverpool & London & Globe Insurance Co Ltd, in Liverpool, emphasizes the need for protection against loss of earnings as a result of interruption of business following damage by fire and explains how the modern policy operates in the case of such loss. He stresses the importance of very careful selection of the standing charges to be covered, together with an adequate sum insured, and of selecting the period during which compensation is to be payable.

I DO not propose going into the history of loss of profits insurance: sufficient for me to say that tremendous progress has been made in the forty-odd years during which the companies generally have been transacting it and I propose, therefore, to commence with a few words on the need for this type of protection.

Common Prudence

It is considered an act of common prudence that capital should be protected against loss as a result of fire through the medium of fire insurance. Fire insurance, however, does not compensate the trader or manufacturer for the loss of net profit he sustains in consequence of fire, neither does it pay anything towards the standing charges which continue to be payable, nor the heavy additional expenses which may have to be incurred in order to keep the business together after a fire. When the earning power of a business is destroyed, the capital value diminishes and insofar as the capital value of a concern depends upon its earning power it can rightly be said that loss of profits insurance protects not only income but capital also.

In more recent years the need for protection against loss of profits has been emphasized by the delays in replacing buildings and plant destroyed by fire – delays frequently prolonged because of difficulties in obtaining the necessary licences for rebuilding, but I shall have more to say about this aspect later.

Profits insurance entered a new era when the modern standard policy was adopted and the recommended wording which is contained in the schedule attached to the policy made its bow in 1939. The aim of the modern policy is to provide an indemnity against the *actual* trading loss sustained following damage to the insured's premises or property by fire or other insured peril – nothing more nor less – subject to the principle of average in the event of under-insurance and, broadly speaking, these are the main principles of profits insurance.

It might be advisable if we consider one or two important features attaching to the standard policy.

A lecture delivered to members of the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants on January 26th, 1951.

The Perils Covered

First, the perils covered are clearly stated on the face of the standard policy and they are:

(1) *Fire* (whether resulting from explosion or otherwise) not occasioned by or happening through: (*a*) its own spontaneous fermentation or heating or its undergoing any process involving the application of heat; (*b*) earthquake, subterranean fire, riot, civil commotion, war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection or military or usurped power.

(2) *Lightning.*

(3) *Explosion*, not occasioned by or happening through any of the perils specified in 1 (*b*) above: (i) of boilers used for domestic purposes only, (ii) of any other boilers or economizers on the premises, (iii) in a building not being part of any gas works, of gas used for domestic purposes or used for lighting or heating the building.

These perils are commonly referred to as the 'standard perils' but it is possible to extend the scope of the cover to include additional contingencies such as aircraft, storm, tempest and flood, earthquake, riot and civil commotion or full explosion at a suitable extra rate.

Destruction or damage by any of the insured perils is termed damage throughout the document.

Material Damage

Special prominence is given to what is called the material damage warranty on the face of the policy. It is an important condition precedent to liability and reads:

> '*Provided that* at the time of the happening of the damage there shall be in force an insurance covering the interest of the insured in the property at the premises against such damage and that payment shall have been made or liability admitted therefor under such insurance.'

It is of considerable importance to a profits insurer that the property owned by an insured shall be kept insured, because until the damaged property has been reinstated the business cannot resume its normal course and that this should be done without delay is imperative. Without material damage insurance an insured might be financially embarrassed to find the necessary capital to reinstate the damage and, in these circumstances, it would be

very difficult to establish what proportion of the loss was due to the delay in reinstatement through lack of capital, it being a condition of the policy that the insured shall, with due diligence do everything possible to avoid or diminish the loss.

Another equally important reason is that the fire policy might contain certain warranties and in order to avoid having to encumber the profits policy with these warranties, the simple expedient in the nature of the material damage warranty was incorporated in the profits policy. In the event of a claim arising, an independent investigation into the origin of the damage is thereby rendered unnecessary.

Time does not permit for a detailed examination of the printed policy conditions which are of general application, and similar to those which exist in the standard fire policies.

Intention of a Profits Policy

Before we proceed it might be desirable that we have a clear understanding regarding the intention of a profits policy.

Profits insurance is frequently referred to as consequential loss insurance, but this title, to my mind, is most misleading because it conveys the impression that all consequential losses arising out of the damage are covered, such as:

(i) Under-insurance in respect of the material damage policy.
(ii) Claims for liability in respect of life or limb.
(iii) Failure to recover outstanding debts owing to destruction of books and records.

This is not so, and since the intention is to indemnify the insured against his loss of earnings or trading loss resulting from the interruption of or interference with his business in consequence of the damage, I think the title 'loss of earnings insurance' would be more expressive.

It will be appreciated that the ultimate purpose of a business is the earning of net profit and that if a business is interrupted the effect on the business will be first reflected in the net profit which will disappear altogether when the volume of the business transacted falls below a certain level.

A Simple Example

One of my colleagues has designed a poster which illustrates the point.[1] It shows a simple example of a brewery which prior to the damage enjoyed an income from sales of £500,000, producing a net profit of £50,000.

A disastrous fire, however, cuts production by 50 per cent and notwithstanding that income from sales after the damage amounted to £250,000, this reduced income had the effect of eliminating the net profit and in its place we see a net loss of £35,000.

The reason for this net loss will be apparent if we examine the trading account. For this purpose let us assume the following data:

[1] This poster is not reproduced.

	Annual turnover out of which following charges met £	*Percentage of charge to turnover*	*Fire causes reduction in turnover of £250,000 with following effect* £	*Percentage of charge to turnover*
Purchases ..	280,000	56	140,000	56
Unskilled wages	70,000	14	35,000	14
Skilled wages ..	15,000	3	15,000	6
Interest on debentures ..	20,000	4	20,000	8
Directors' fees and salaries ..	50,000	10	50,000	20
Fuel and power	1,000	·2	1,000	·4
Rent	4,000	·8	4,000	1·6
Other charges ..	10,000	2	10,000	4
Net profit ..	50,000	10		
Extra expenses ..			10,000	4
Annual turnover	£500,000	100	285,000	114
Net loss			35,000	14
			£250,000	100

Here we see the various expenses incurred in achieving annual sales of £500,000. Against each item I have indicated the percentage which the particular charge bears to the annual sales and you will notice that net profit represents 10 per cent.

Now consider the position when production or sales diminishes by 50 per cent following damage by fire. Purchases of raw materials naturally reduce in like proportion and it has been found possible to cut wages to unskilled employees by one-half also; hence these charges may be termed *variable* charges. They vary with the upward or downward trend of production.

Notice the effect on the remaining items, however. In the case of skilled wages it has been considered prudent to retain the services of all the skilled workpeople and the percentage of this charge to the reduced turnover has increased from 3 per cent to 6 per cent. To have dismissed these employees would probably have resulted in their obtaining alternative employment, possibly with competitors at a higher rate of pay, and when the damage has been reinstated they may not be willing to return to their previous employment. Consequently the firm may not be in a position to resume operations because of their inability to obtain skilled workpeople, but any loss from this cause would not be recoverable under the policy because the cause of the interruption from the date of reinstatement of the damage would not be in consequence of the damage but to some other extraneous cause.

Debenture interest continues to be payable in full and the directors require their normal fees despite the diminution in sales. These and all the remaining items which do not reduce in exact proportion to the reduction in sales now bear more heavily on the amount of the reduced sales achieved and are termed *constant or standing charges.*

It will be appreciated that had all the charges of the business reduced in exact proportion to the reduction in sales, then net profit would have correspondingly reduced to 10 per cent of the reduced sales, viz. £25,000. The fact that the fixed charges bear more heavily on the amount of the reduced sales, however, has the effect of eating into the normal net profit and herein lies the reason for the disappearance of net profit in the trading account for the twelve months following the damage. Consequently, if we are to indemnify for the actual loss sustained we must concern ourselves not only with net profit, but also with the fixed or standing charges.

Maintenance of Sales following Damage

When a business is interrupted or interfered with, one of the first thoughts of the principals will be how best they can maintain sales. It may be necessary to effect temporary repairs to the damaged building or machinery, or rent temporary premises until the damage has been reinstated. Possibly competitors may be able to assist, but in this event they will require their normal profit and in either event the affected business will be put to considerable expense in their efforts to resume normal trading as quickly as possible. In the case of our brewery example the insured expended £10,000 in their efforts to maintain turnover and this additional expense had an adverse effect on their trading results following the damage, as you will see. Consequently this additional expense must also enter into our calculation in arriving at the insured's loss.

Having noted the effects on the business following damage which causes interruption or interference with the business let us now consider how our modern policy deals with the situation.

Briefly, the aim of a profits policy is to:

(*a*) make good the loss of net profit due to the interruption of the business by any of the insured perils,

(*b*) meet the payment of all standing charges that may continue, and

(*c*) defray increase in cost of working necessarily incurred to maintain the business.

Terms used in the Contract

It might assist to follow the formula laid down in the policy if we pause here a moment to consider what is meant by certain terms used in the contract.

'Gross profit' is defined in the policy as –

'The sum produced by adding to the net profit the amount of the insured standing charges, or if there be no net profit the amount of the insured standing charges less such a proportion of any net trading loss as the amount of the insured standing charges bears to all the standing charges of the business.'

Within this definition you will have observed two further expressions: 'net profit' and 'insured standing charges', the former being defined as:

'The net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the business of the insured at the premises after due provision has been made for all standing and other charges including depreciation but before the deduction of any taxation chargeable on profits.'

Insured standing charges are those charges elected by the insured which they desire to recover in the event of damage.

We have considered the effect reduced sales had on certain charges of the business. Consequently, the nomination in the policy of the elected charges to be insured is of paramount importance, because if any charges are omitted which continue after the interruption of the business following damage, the insured will not recover in full his loss. This will be evident when we come to calculate the amount of loss to be payable in the case of our example.

Selection of Charges to be Covered

I trust you will forgive me if I dwell a little longer on this aspect of profits insurance, because the importance of a very careful selection of the charges to be covered when arranging a profits insurance cannot be stressed too strongly.

The charges appearing in the firm's trading and profit and loss accounts should be considered individually, and the test usually applied to ascertain whether or not a particular charge should be insured is – will the charge reduce in exact proportion to any reduction in turnover? If not, then the charge should be insured.

It is not always easy to decide before the damage what effect the damage will have on the behaviour of certain charges and fuel and power cost is a typical example.

Some years ago a firm of cloth manufacturers when arranging profits insurance, were quite adamant that fuel and power costs would reduce proportionately to any reduction in turnover, but when the fire occurred destroying 50 per cent of the looms it transpired that the cost of running the remaining 50 per cent undamaged looms was exactly the same as for running the whole mill. In this case the insured suffered considerable financial loss through the non-insurance of this item.

There are many charges which would probably reduce to some degree, if not in exact proportion to any reduction in turnover, but in all cases where there is the slightest possibility of a charge continuing to any degree, my advice is, err on the safe side and include it in the list of insured standing charges.

Turnover

We still have five more definitions to consider, they are:

Turnover: The money paid or payable to the insured for goods sold and delivered and for services rendered in course of the business at the premises.

We have noted from our trading account example that net profit and standing charges bear a direct relationship to the turnover of a business. Conse-

quently, turnover as a basis for measuring the loss sustained provides a reliable guide. This definition has been found to be suitable for most cases but it can be altered to suit any other form of income.

Indemnity Period

Indemnity period: The period beginning with the occurrence of the damage and ending not later than ...... months thereafter during which the results of the business shall be affected in consequence of the damage.

The period chosen sets the limit on the time during which compensation is payable under the policy.

In the event of serious damage, the insured may not be able to replace damaged machinery or the authorities may not grant a licence to rebuild or considerable delay may be experienced in effecting reinstatement of the damage. The seriousness of this possibility was emphasized recently in a case where a licence to rebuild was obtained six months after the damage but it was over thirteen months before the first consignment of steel arrived on the site to enable rebuilding to proceed. Not only that, it is now thirty months since the damage and reinstatement has not yet been fully completed.

When deciding the maximum period during which the insurers are to be liable, the insured should give most careful consideration to these points and fix the time they consider would be required to restore the standard volume of business.

The final decision must be left with the insured but it is my opinion that, except for a very simple risk, any period of less than eighteen or twenty-four months is entirely inadequate under existing conditions. If the period selected is found to be inadequate, then any loss after the expiry of the selected period falls upon the insured.

Rate of Gross Profit

Rate of gross profit is the next expression to consider. This is defined as:

'The rate of gross profit earned on the turnover during the financial year immediately before the date of the damage.'

and annual turnover and standard turnover have the following meanings:

Annual turnover: The turnover during the twelve months immediately before the date of the damage.

Standard turnover: The turnover during that period in the twelve months immediately before the date of the damage which corresponds with the indemnity period.

Calculating Amount Payable

We are now ready to set into motion the machinery to be employed in the calculation of the amount to be payable for loss in the case of our example and this is contained in the schedule which is attached to the standard policy and to which I referred a little earlier.

We will assume that the brewery company have insured their gross profit (i.e. net profit and insured standing charges) for £150,000 with a twelve months' indemnity period. Accordingly, at the head of the schedule there will appear:

Item I. On gross profit £150,000

This is followed immediately by the operative wording which reads:

'The insurance under Item I is limited to loss of gross profit due to (*a*) reduction in turnover and (*b*) increase in cost of working and the amount payable as indemnity thereunder shall be:

(*a*) *In respect of reduction in turnover:* The sum produced by applying the rate of gross profit to the amount by which the turnover during the indemnity period shall, in consequence of the damage, fall short of the standard turnover.'

For the purpose of simplicity we will assume that the fire occurred right at the end of the insured's financial year and affected the turnover for twelve months. In operating our modern policy, therefore, we have a standard turnover, i.e. for the twelve months immediately before the date of the damage of £500,000.

The actual turnover for the twelve months following the damage was £250,000. Consequently, we arrive at a shortage in turnover of £250,000.

The rate of gross profit earned on the turnover during the financial year immediately before the date of the damage, was

$$\frac{£150{,}000}{£500{,}000} \text{ i.e. } \frac{\text{net profit} + \text{insured standing charges}}{\text{turnover}} = 30 \text{ per cent}$$

and this percentage applied to the shortage in turnover of £250,000 produces a figure of £75,000.

Variations and Trends

But, you might say, had the damage not occurred the insured might have enjoyed a considerably greater turnover than that achieved in the twelve months immediately preceding the damage. This possibility has been taken care of in the wording. To the definitions of 'rate of gross profit', 'annual turnover' and 'standard turnover' is attached the following clause:

'to which such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the damage or which would have affected the business had the damage not occurred, so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the damage would have been obtained during the relative period after the damage'.

This clause is frequently referred to as the 'adjustments clause' and it provides for trends, variations and special circumstances, both before and after the damage.

The terms of this clause are so wide that it provides for every conceivable adjustment to be made in order to arrive at, as near as is humanly possible, the

results of the business which, but for the damage, would have been obtained during the relative periods after the damage.

For the sake of simplicity we will assume that in the case of our example no adjustment of the figures is necessary and so we pass on to the second part of the contractual clause which reads:

(b) *In respect of increase in cost of working:* The additional expenditure (subject to the provisions in Memo. 2) necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the damage, but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided.

There are four main points about this clause. It states very clearly that the increased costs must be: (1) additional expenditure; (2) necessarily and reasonably incurred; (3) for the sole purpose of avoiding or diminishing the reduction in turnover; and (4) not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction in turnover thereby avoided.

These are reasonable conditions and are in fact only what a firm would consider if they did not have a profits policy to protect them. From an insurer's point of view, this increase in cost of working feature of a profits policy is simply a commercial proposition. Obviously it would be uneconomical to spend £1 in order to save 19*s*.

We have noted how every £1 of turnover contributes proportionately to each standing charge item and net profit, and since increases in cost of working expenses are incurred for the sole purpose of avoiding or diminishing the reduction in turnover, it is only right and proper that the insured should bear some of the additional expense if he has not insured all of his standing charges. The manner in which this is done is by bringing into our computation of the amount recoverable that proportion of the additional expense which the sum of the net profit and the insured standing charges bears to the sum of the net profit and all the standing charges. Memo. 2 of the wording introduces this form of average into our calculation of the increase in cost of working under clause (*b*).

Additional Costs

The additional costs incurred in our example amounted to £10,000 and it is claimed that had the steps taken not been carried out, a further shortage in turnover of £50,000 would have resulted. The application of the rate of gross profit of 30 per cent to this £50,000 shortage avoided would have resulted in an increased loss of £15,000, so obviously the insurers have made a good bargain and the full amount of £10,000 therefore enters into our calculation of the amount of actual loss sustained.

If the insured had omitted to cover one or more of the standing charges, however, as, for example, fuel and power, the operation of Memo. 2 would have been as follows:

$$\frac{\text{Net profit and insured standing charges} - £149{,}000}{\text{Net profit and all standing charges} - £150{,}000} \times £10{,}000 = £9{,}933\ 6s\ 8d$$

and this amount only would have been taken into consideration in arriving at the loss.

The ascertained loss calculated in accordance with the provisions of the operative clause is now as follows:

Clause (*a*). *In respect of reduction in turnover—*	
The rate of gross profit of 30 per cent applied to the shortage in turnover of £250,000 .. .. .. =	£75,000
Clause (*b*). *In respect of increase in cost of working* .. .. .. =	10,000
	£85,000

Two Important Provisos

There are two important provisos in the policy, however, which have still to be considered before the actual loss can be ascertained.

The first is that the loss as calculated in accordance with the terms of the operative clauses (*a*) and (*b*) shall be less any sum saved during the indemnity period in respect of such of the insured standing charges as may cease or be reduced in consequence of the damage.

The necessity for this provision will be apparent if we refer again to our trading account for the twelve months following the damage. You will notice that in the financial year preceding the fire our insured earned a net profit of £50,000 whereas in the twelve months following the damage there appears a net loss of £35,000. You will also notice that all the insured standing charges continued to be paid in full. The payment of £85,000 as indemnity under the profits policy would have the effect of converting the net trading loss of £35,000 into a normal net profit of £50,000 and all is well. But consider the position had fuel and power cost been reduced by £500. The net trading loss would have been reduced to £34,500 and the payment of £85,000 would provide the firm with a net profit of £50,500 which would be more than indemnity. Hence any saving in the insured standing charges must go to reduce the ascertained loss.

The second proviso introduces the 'average clause' and reads:

'provided that if the sum insured by this item be less than the sum produced by applying the rate of gross profit to the annual turnover the amount payable shall be proportionately reduced'.

This is a simple condition of average – if the insured insures 50 per cent of his gross profit – he receives 50 per cent of his loss.

In order to see if average applies in our example, the same rate of gross profit as that applied to the shortage in turnover is applied to the annual turnover – after adjustment for trend etc. – and if the sum

insured is less than the resultant figure, then the amount payable is proportionately reduced. The rate of gross profit of 30 per cent is applied to the annual turnover of £500,000 (you will remember that for the sake of simplicity we agreed not to make any adjustment for trend in the case of our brewery example) and the sum insured not being less than the resultant figure of £150,000 average therefore does not apply.

There now remains one memorandum to consider before completing our review of the operation of the policy. Memo. 1 reads:

'If during the indemnity period goods shall be sold or services shall be rendered elsewhere than at the premises for the benefit of the business either by the insured or by others on his behalf the money paid or payable in respect of such sales or services shall be brought into account in arriving at the turnover during the indemnity period.'

A very reasonable condition, you will agree, and simply means that in the event of turnover being maintained, say, by the kindly act of a competitor, such turnover must be brought into account in mitigation of the insurer's loss.

(To be concluded.)

WEEKLY NOTES

Fashion Industry Report

By publishing last week a long report on the present position of the industry, A.F.I.A. (as the Apparel and Fashion Industry's Association is called) has followed the lead, recently set by other industries, of reviewing the special problems caused by the uncertainties of the times.

The report states that the equilibrium of supply and demand is being gravely affected by rising prices, fears of possible inflation and shortage of goods, and the lack of confidence as to the capacity of consumers fully to absorb production at increased price levels. These factors, together with the burden of direct taxation which restricts normal capital development, the continued imposition of purchase tax, and the apparent permanence of the utility scheme (which, according to the report, 'has now degenerated into a price division between purchase tax and non-purchase tax bearing cloth and apparel'), have created a serious situation in the industry, the whole economic background of which has been completely altered from that of pre-war years.

It is stressed that the main fact confronting manufacturers today is the ending of the absolute sellers' market. Many firms, accustomed to the somewhat artificial trading conditions of the past ten years, for which controls have largely been responsible, are ill-prepared to cope with the new phase which industry is about to enter.

Manpower and Paper in the Inland Revenue

Most of our readers will be familiar with the form (No. 64–1) which tax offices issue in order to show the details of an assessment which has been altered after an appeal. The back of this form contains an elaborate grid in which to enter all the various details. When the Inspector has agreed to the complete discharge of an assessment it is by no means unknown for him to follow up his letter of agreement with a form No. 64–1 endorsed with the word 'nil'. A reader has sent us three such 'nil' forms which were sent to a firm of accountants in respect of a client. These forms seem to be particularly futile because apart from the name of the firm of accountants and the tax office reference numbers containing as many as twelve letters and digits, there is no indication of the identity of the taxpayer concerned. Each of the forms contains the full autograph signature of an Inspector of Taxes.

Cut in Car Supplies

Last week the Minister of Supply announced the size of the cut this year in car allocations, a reduction which has been necessitated by the shortage of sheet steel. It was generally expected that there would be a cut, the only question was by how much and where. The Minister is not prepared to indulge in any firm forecasts of what the level of car production will be in 1951, but it seems possible that there will be 60,000 fewer cars made this year than last. Should this be so, the shortfall will be shared out between the export and the home market – 30,000 fewer for each. This represents a much higher proportionate cut, of course, for the home market.

Should production pick up later in the year, as seems possible when the steel mills at Margam get into their stride (and assuming that a shortage of non-ferrous metals does not act as a brake once the steel hold-up is removed) the improvement will be shared between the export and the home market.

Higher Steel and Electricity Prices

The decision of the National Coal Board to raise the price of coal by 4*s* 2*d* a ton has had swift repercussions on two other key industries. Both steel and electricity prices are to be raised.

The Minister of Supply announced in the House of Commons on Monday that an order would be made as soon as possible to enable the price of steel to be raised. It has been estimated that the recent increases in coal and coke prices will place an additional burden on the industry of between £8 million and £10 million a year. The British Electricity Authority announces that there will be a probable increase in their coal bill at generating stations of £7 million a year. About £4 million of this will be

passed on automatically to industry since their electricity supply contracts have an adjustment clause. The balance will have to be found from direct changes in tariffs to other consumers.

Gold and the United States

Since the Korean war began, the gold reserves of the United States have run off from $24,232 million to $22,341 million. This trend and the estimated long-term effect on gold producers of a gradual further rise in the world price level have produced a new crop of rumours of an increase in the price of gold. The overt symptom of this attitude of mind in this country was to be seen in the recent strength of gold shares.

It is not likely, however, that there will be any change in the American buying price of gold. So far as the short term is concerned, the decline in the gold reserves of the United States is not likely to cause any grave concern in that country. The gold has been paid for by bank deposits and a contraction in the latter is deflationary. Deflationary forces at the present time when the United States is beginning to feel the impact of inflation on costs and prices is more calculated to be accepted officially as a welcome development than otherwise. In the same way, an increase in the buying price of gold in the United States would certainly be inflationary and in present circumstances it would be rank folly for the United States Administration to court inflationary pressure from the banking system.

In any case there is some evidence to suggest that some influential quarters in America are arguing that the effect of rearmament in Europe on Western European countries' ability to sustain the present level of exports will shortly reduce the flow of gold from the United States. This may be true. But the argument depends on how far Western European countries are willing to allow their standard of living to fall in order to meet the rearmament bill and at the same time sustain their exports. At the moment official policy in this country at least is not to sacrifice the export drive or the defence programme to the standard of living. The direction of the flow of gold, however, is probably much more dependent on the level of the world price level of essential raw materials. At present, nothing is contributing so much pressure on such dollar-earning materials as the demand of the United States itself.

End of Oil Substitution

Further agreements have now been made between the British Government and the American companies interested to a large extent in the sterling area oil market which finally disposes of the 'substitution' policy. This forced suppliers of oil in the sterling area to substitute dollar oil by sterling oil. At the time, this scheme to economize dollars met with considerable hostility from the American companies adversely affected.

At that time, towards the close of 1949, it was expected that sterling area producers would have a surplus of oil after meeting the requirements of their normal markets and it was this surplus that the British Government wished the American companies to take up instead of importing dollar oil. Agreements were made, however, in 1950 with Standard Vacuum Oil and California Texas Oil for them to use their quota of Iraq oil to sell in the sterling area. A similar arrangement was made with the Standard Oil Company of New Jersey, and with the Socony Vacuum Oil Company.

Agreement has now been reached with the American companies concerned by which voluntary arrangements by the latter will replace the 'substitution' policy. Under the voluntary scheme, it is estimated that by 1954 this country will get a third more oil than at present at a quarter less of the current outlay in dollars.

Much of this saving will come from the American companies' programmes of expansion which are now being undertaken. They are purchasing large amounts of oil, equipment, and tankers in the sterling area.

Rising Wholesale Prices

The first flush of stockpiling and panic-purchasing in world markets following the outbreak of the Korean war has now passed, but there are few signs of any faltering in the upward movement of world prices. Leather and hides have eased slightly and wool auction prices have shown an uncertain trend in the last week or two, but these are the only indications, and they are slight ones at that, of any relaxation of world demand on very limited supplies of essential foods and raw materials.

Continued firmness in world prices is having its inevitable effect on the wholesale price level in this country. In consequence, it can only be a matter of time before those effects work themselves out on the cost structure of British industry – ably abetted by rising prices of key materials such as coal, which are produced at home.

The wholesale price index for all goods was 2½ per cent higher in January than it was in December; and 22·6 per cent higher than it was in January last year. The largest increases on the year were in wool (by far the largest and most notorious), non-ferrous metals, a miscellaneous group, cotton and then other textiles – in that order. Basic materials are nearly 95 per cent up on the year, intermediate products 24 per cent and manufactured articles 8·7 per cent.

Less Beer in 1950

The way of the brewers is hard. Production last year was the lowest since 1938. In 1950 output was 25·2 million bulk barrels. In 1949 it was 26·3 million and in 1938 24·5 million. From such figures it is clear that the industry is now in a position to try to assess whether the level of consumption is going to be held at the pre-war level now that the higher sales attained during and immediately after the war have been shown to be only a short-term phenomenon.

FINANCE AND COMMERCE

Stock markets are enjoying an exceptionally active spell. Business has been at its highest level since the break of the 'cheap money' bull market in 1947. There could be more confidence in the present movement, however, if its origin were not in the provision of funds through the forced liquidation of vesting steel shares and if the political and economic background were not so uncertain.

Don't Use 'Bonus'

Recent criticism by company chairmen of the official attitude to issues of capital by way of capital bonus is given further point in the annual report of the Issuing Houses Association. The report is over the signature of the chairman, Mr R. H. Vivian Smith, of Morgan Grenfell & Co, Ltd, representing the fifty-five member institutions, some of them in their second century of experience in the raising of capital.

The Association wants some alternative for the word 'bonus' in connexion with the operation of bringing the issued capital of a company into relation with its net worth. 'Bonus', they say, is misleading. On the other hand, they admit candidly that endeavours made during the year to find some other expression have been unsuccessful and they can only suggest that members, when referring to the capitalization of reserves, should avoid the use of the word 'bonus'.

Let us hope that by next year some new expression will be found that will receive general acceptance, for the use of the word 'bonus' in this connexion has undoubtedly led to misrepresentation and political bitterness. It is a subject which ought to interest accountants, seeing that it touches their sphere so closely.

Directors' Undertaking

A further reference to the subject is contained in the statement by Mr Harry S. Broom, chairman of Broom & Wade Ltd, makers of air compressors, pneumatic tools, etc. It is well to remember, he says, that the profits have not been earned on the issued capital alone; the turnover has been supported by past savings and the premiums at which we have issued our shares, as well as by the capital itself. Mr Broom says it is hoped to obtain permission in the future to make further issues of bonus shares to bring the issued capital more into line with the capital invested.

He further discloses that when the Capital Issues Committee gave permission to issue bonus shares at the end of September, an undertaking was given by the directors 'not to pay out at present a greater sum in dividends than on the old capital'. In answer to those who might think the company's dividends are too high, he points out that the dividend the company is now paying represents about 4 per cent on the total capital employed. A similar translation of the nominal rate of dividend into dividend on capital employed might well be made a feature in company reports.

R. E. JONES LIMITED AND SUBSIDIARY COMPANIES

1949 £	1949 £		£	£	£
		Current Liabilities:			
	62,374	Creditors and Accrued Expenses		66,896	
	122,290	Taxation		65,040	
	31,886	Proposed Dividend (*Less* Tax)		31,886	
					163,822
	216,550				
		Provisions:			
		For Repairs and Maintenance:			
91,458		Balance as on October 31st, 1949	75,850		
25,608		*Less* Work done this year	39,515		
65,850			36,335		
10,000		*Add* Amount transferred from Profit and Loss Account this year	22,500		
75,850				58,835	
3,290		For Liabilities on Leasehold Properties		2,980	
	79,140				61,815
	19,836	**Reserve for Income Tax, 1951–52**			8,979
		Capital Reserves:			
	21,891	E.P.T. Post-war Refund, Provisional Amount as on October 31st, 1949		21,891	
50,942		Redemption Fund, as on October 31st, 1949	53,283		
2,341		*Add* Amount transferred from Profit and Loss Account this year	2,410		
	53,283			55,693	
	—	Value Payment in respect of War Damage		739	
					78,323
		Revenue Reserves and Surplus:			
	29,307	Property Reserve, Balance as on October 31st, 1949		29,307	
	120,000	General Reserves, Balance as on October 31st, 1949		120,000	
	699	Forfeited Shares Account, Balance		699	
	55,733	Profit and Loss Account, Balance		63,007	
					213,013
		Capital of R. E. Jones Ltd:			
		Authorized: Ordinary Stock and Shares of 10*s* each **£1,700,000**			
	772,994	Issued and Fully Paid: 1,545,988 Stock Units of 10*s* each			772,994
	£1,369,433				£1,298,946

Unsolved Query

The balance sheet of R. E. Jones Ltd, as at October 31st, 1950, presented a query which we left without solution. Under Revenue reserves and surplus is stated a property reserve and a general reserve, and, in the case of both items, the amount is stated to be the balance as on October 31st, 1949. The statement seemed so reminiscent of the past that we immediately looked to the profit and loss account balance to fix the point at which the balance sheet had been drawn up. The profit and loss account balance, however, is the balance after all appropriations, as it should be, of course.

It is quite obvious from the balance sheet that the balances shown are the balances as at October 31st, 1949, for the comparison column gives the same figures as for 1950. It is difficult therefore to see what purpose is served by the statement that these are the 1949 balances. Do we presume that if no alterations to the balances are made in the next accounts, the 1951 balance sheet will state that the figures are those of 1949? It seems rather odd in a balance sheet headed 1950 to see the narrative reading backwards, as it were, to the previous year.

Midland Bank

The accounts of the Midland Bank Ltd were this year accompanied by an unusual amount of data and by an interesting description of the bank's financial position, the distribution of its assets and an analysis of the shareholdings.

The capital is owned by over 73,000 shareholders and the amazing thing is that it is so widely dispersed among holders of comparatively small amounts. Just over half the total number of shareholders own £100 or less. One-third of the total own from £101 to £300 and the remainder hold in roughly equal proportions between £301 and £500 and over £500. Measured by the aggregate amount of capital held by the shareholders in the various groups, holdings of up to £300 account for about two-fifths of the total of paid-up capital.

More interesting still are the voting rights which give one vote for holdings of less than £300 and no more than six votes for holdings of £2,400 or over, no matter how large. Whether it was necessary to turn this information into diagrams after the style of the isotypes recently shown in this column in another connexion is one of those things on which we beg to differ. We wonder what the directors would think if the branch managers rendered their returns to head office in isotype form.

Money Market

Particular interest was taken in the Treasury bill tender on February 9th. The market concentrated on the paper maturing on Whitsun Monday, bidding at £99 17*s* 4*d* per cent and receiving 22 per cent of stated requirements. With the bid at £99 17*s* 5*d* allotment of Tuesday–Saturday bills was made in full. Total applications were slightly lower than the previous week at £334,480,000, but the average rate was raised to 10*s* 4·51*d* per cent. This week's offer is increased to £260,000,000. There is no call against Treasury deposit receipts. Maturities total £35,000,000.

Consolidated Balance Sheet as on October 31st, 1950

1949 £	1949 £		At Independent Valuation in 1933	At Cost	Additions at Cost *Less* Sales and Lapsed Leases to 31/10/49		Additions this Year at Cost	*Less* Provision for Depreciation to 31/10/49	*Less* written off this year	£	£
		Current Assets:									
	165,759	Balances at Bankers and Cash in hand								82,206	
	5,125	*Tax Reserve Certificates*								—	
	112,374	Quoted Investments, at cost, less amount written off. (Market Value at October 31st, 1950, £122,382)								112,374	
	17,849	Sundry Debtors, including Interest and Payments in Advance, *less* Provision (£1,335)								27,639	
	91,178	Stock-in-trade, at or under cost								85,763	
											307,982
	392,285										
	53,283	**Redemption Fund Policies:** Surrender Value									55,693
		Fixed Assets:									
		Asset	£	£		£	£	£	£		
194,430		Freeholds	149,888	4,500	Plus	41,112	12,000	1,070	—	206,430	
5,055		Leaseholds	101,406		Minus	24,915		71,436	594	4,461	
22,000		Furniture and Equipment	27,245		Minus	1,778	300	3,467	300	22,000	
542,195		Building, Lease, Furniture, etc.		500,000	Plus	42,195			See Note	542,195	
	763,680										775,086
		Intangible Assets:									
	160,185	Excess of the valuation figure or of cost (*less* amount written off) over the nominal value of the Shares of Subsidiary Companies, *less* undistributed profits at the valuation or merger dates									160,185
	£1,369,433										£1,298,946

Note. Certain of the Companies' properties and equipment have been damaged by enemy action. Claims have been lodged but adjustments to the above figures for Fixed Assets will be necessary at a later date. No depreciation has been charged for the year in respect of Freehold Properties. The above mentioned Building, Lease, Furniture, etc., represents an undivided purchase; redemption of the capital outlay is provided for by means of the Redemption Fund.

R. A. R. FIELD, *Chairman and Managing Director.*
V. T. RUCK, *Director.*

R. E. JONES LIMITED AND SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account for the Year ended October 31st, 1950

Dr.

1949 £	1949 £		£	£
	500	To *Debenture Interest*		—
	8	,, *Trustees' Fees*		—
	1,071	,, Audit Fees (Parent Co £600) ..		1,071
		,, Directors' Remuneration:		
2,205		Fees	2,205	
11,519		Managerial	11,519	
	13,724			13,724
	594	,, Leases Amortisation		594
	500	,, Depreciation: Fixtures and Fittings		300
	2,341	,, Addition to Redemption Fund ..		2,410
		,, Taxation on the Profits of the year:		
34,443		Income Tax	21,730	
21,311		Profits Tax	20,311	
	55,754			42,041
	64,728	,, Profit carried down		53,287
	£139,220			£113,427
		To Appropriations by Subsidiaries:		
		Premium on Redemption of Debentures written off		
3,490			—	
10,000		Transfer to Provision for Repairs	10,000	
428		*Amount written off Investments* ..	—	
806		*Renewal of Lease: Cost written off*	—	
	14,724			10,000
		,, Appropriations by Parent Co:		
10,000		*Transfer to General Reserve* ..	—	
—		Transfer to Provision for Repairs	12,500	
14,309		*Amount written off Investments* ..	—	
		Proposed Dividend of 7½ per cent		
31,886		(*less* tax)	31,886	
	56,195			44,386
		,, Balance to be carried forward:		
27,413		Parent Company	29,160	
28,320		Subsidiaries	33,847	
	55,733			63,007
	£126,652			£117,393

Cr.

1949 £	1949 £		Parent Company £	Subsidiaries £	Total £	£	£
		By Profit subject to the items in this					
	132,457	Account					107,570
	4,523	,, Interest on Investments (gross) ..					3,900
	795	,, Sundry Receipts					443
		,, Increase in surrender value of					
	1,445	Redemption Fund Policies ..					1,514
	£139,220						£113,427
		By Profit of Parent Company including Profit of Subsidiaries to the extent of a Dividend receivable					
47,408		therefrom..				46,133	
17,320		,, Profit retained by Subsidiaries ..				7,154	
	64,728						53,287
		,, Profit brought forward from last year:					
62,395		Balance ..	27,413	28,320	55,733		
Deduct 471		Taxation adjustment for previous years ..	—	*Add* 8,373	*Add* 8,373		
	61,924		£27,413	£36,693			64,106
	£126,652						£117,393

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Goodwill of Exporters and Buyers' Agents

SIR, – Can any of your readers share the benefit of experience in valuing the goodwill of a firm of export merchants and overseas buyers' agents? Features of the particular business are (i) a high degree of dependence on the personal skill of the partners, (ii) the importance of established connexions in some sides of the business, (iii) a steadily rising trend of profits since the war, (iv) a principle market whose long-term prosperity appears assured so long as rearmament maintains the demand for its raw material exports, and (v) a capital small in relation to the profits earned.

Yours faithfully,

London, SW1. J. R. CUTHBERTSON.

Superannuation and Pension Funds

SIR, – There is probably considerable merit in the iconoclastic suggestion made by 'S' in your issue of January 27th last, but his proposal to abolish the superannuation funds of local authorities seems to ignore the frequent transfers of staff between different authorities in respect of which 'transfer values' are at present paid. In the case of senior officers these are sometimes quite substantial amounts.

It would obviously be inequitable for the ratepayers of the last employing authority to bear the full cost of the pension of such an officer without some contribution from the authorities previously employing him; in fact, such a liability might influence the selection of candidates for senior positions.

How would 'S' suggest that this difficulty should be met?

Yours faithfully,

COUNCILLOR.

Income Tax: Remuneration voted after End of Accounting Year

SIR, – With regard to the letter from A. D. Chegwidden in your issue of January 13th, 1951, I have found a variety of approaches by Inspectors to this matter.

There is no doubt that method (3) is alone correct and that an assessment on any other basis could be successfully disputed; apparently for any particular year.

Inspectors are authorized to use method (1) where the accounting year basis will avoid delay in ascertaining the correct assessment year by year. Some Inspectors appear to overlook that this method is not intended to be imposed upon a taxpayer, and can be enforced only with the taxpayer's prior agreement. In such cases a formula is laid down for

the adjustment of the opening and closing years.

Method (2) is satisfactory only where remuneration paid is the same as that earned in a fiscal year, and should not, except by prior agreement between the parties, be used in a case of irregular remuneration not all paid within a fiscal year.

Yours faithfully,

Tadworth, Surrey. S. READ.

Director's Remuneration

SIR, – The opinion of readers is desired on the following points which have arisen regarding the accounts of a private company whose managing director is entitled to commission on the company's profits. It is not stated in the agreement how these profits are to be computed.

(1) Profits might be assumed to be (*a*) the sum assessable to profits tax, *less* the profits tax payable; or (*b*) the sum assessable to income-tax before deduction of capital allowances; or (*c*) the sum assessable to income-tax after deduction of capital allowances; or (*d*) the profit as shown in the company's accounts after making provision for depreciation but before providing for taxation. Other permutations might also be considered. It is reasonable to suggest that wear and tear allowances may be a charge against profits, but what about balancing charges and initial allowances? Further, are disallowable improvements to the company's property to be included in the sum on which commission is due?

(2) The managing director receives an allowance for expenses which is taxed at source (through P.A.Y.E.) in terms of Finance Act, 1948, Section 38 (1), although he informs the auditor that he will recover the whole tax on proof of 'necessary' expenditure being supplied to the Inspector of Taxes. It has been the practice to include such payments under 'miscellaneous expenses' in the company's accounts. What is the auditor's duty as to disclosure of this director's 'remuneration' in terms of the Companies Act, 1948, Section 196 (2)? If the director later produces evidence that he has recovered (*a*) all the tax on the expenses allowance, or (*b*) 25 per cent of the tax thereon, is there any difference in the legal position as to disclosure?

Yours faithfully,

DIRECTOR.

Calculations of Distributions for Profits Tax

SIR, – I have not yet seen any answer to 'G.B.A.'s letter in *The Accountant* of December 23rd last, and I therefore venture a belated reply. I submit the figures of £4,500 and £25,500 are correct, the point being that according to Section 2, Profits Tax Act, 1949, the total dividends are to be compared with the 'governing total' which is the total dividend of the immediately preceding accounting period and not the total 'assigned' to any particular period. In the example illustrated by 'G.B.A.' the governing total for the year ended June 30th, 1950, is clearly that of 1949, viz.: £18,000, and the tax would be calculated for the two chargeable accounting periods in the year ended June 30th, 1950, as follows:

	C.A.P. 1/7/49 *to* 30/9/49	*C.A.P.* 1/10/49 *to* 30/6/50
Excess over 1948 assigned to post Sept. 26th, 1949, period, i.e. £10,000 less £4,000	£ —	£ 6,000
Excess over 1949, i.e. £24,000 less £18,000	—	6,000
Balance divided between the two C.A.P.s for year ended June 30th 1950, £18,000 ..	(1/4th) 4,500	(3/4ths) 13,500
Totals	£4,500	£25,500

Yours faithfully,

E. W. ROCKHALL.

Wimbledon, SW20.

Company's Accident Policy

SIR, – With reference to the letter from 'Mandy' in your issue of January 13th, 1951, on the above subject: (*a*) annual premiums paid by the company in respect of an accident policy covering directors and key employees are wholly admissible as expenses deductible from the company's income-tax profits, and (*b*) all sums recovered under the policy must be included as part of the company's taxable income.

Should an accident occur and payments are made to directors, employees, or their representatives, these payments will, however, be allowed as expenses in computing the company's income-tax profits.

The recipients may, of course, have to pay tax under P.A.Y.E. in respect of any sums received from the company. This is certainly so in the case of weekly payments in the event of partial disablement, but it is not certain that a lump sum received for total disablement is taxable although it is thought that the lump sum would not be taxable in the case of the director's or employee's death.

Readers' views are invited as to whether or not a lump sum received is taxable under P.A.Y.E. in the case of (*a*) total disablement, and (*b*) death of director or employee.

Would the position be altered if there was a contract between the company and the director or employee stipulating that a fixed lump sum would be payable by the company on death during service or total disablement?

Yours faithfully,

Gartcosh, Glasgow. T. B. LOTHIAN, C.A.

The Capital Levy

SIR, – Mr Edmonds, in his letter published in your issue of January 27th last, suggests what appears to be an act of unprecedented injustice and economic nonsense. If taxes are to be levied on consumer spending over and above income, then in effect people who have saved in the past may be taxed

twice on the same income: once when the income is earned and saved, and secondly, when it is withdrawn from savings (capital) and spent.

This would quite unjustifiably penalize those who saved for such laudable purposes as setting up a home on getting married or for their children's education. One may well imagine the feelings of a father who, after saving with difficulty for his child's education, is taken into the group of sur-tax payers because the school will not accept its fees spread over a period of years!

As for cutting down consumer spending, I fear this plan may have the reverse effect by discouraging savings even more than at present. For who is going to save when he knows that if he needs to spend those savings at a later date he will be taxed on them *a second time*, and probably at a higher rate?

No – surely the best way to discourage the liquidation of capital for consumer spending is to allow dividends and interest rates to rise in order to encourage present savings to remain invested and new savings to be made and invested? The extra amount available for consumer spending in the form of higher dividends would, in my opinion, be negligible when compared with the extra saving and investment induced. In other words, let us have the carrot of free society and not the stick of totalitarianism to discourage consumer spending.

Yours faithfully,
F. R. SALINGER.

East Preston, Sussex.

Wrong Envelopes Problem

SIR, – I hesitate so much as to query a solution put forward in such learned terms as that of Mr Hadrill in his letter published in your issue of December 9th, 1950. However, I suspect that Mr Hadrill may have addressed himself to the problem of the *probable* number of ways in which the office boy *would* have gone wrong, rather than the number of ways he *could* have gone wrong – which is what Mr Temple asks in the issue of November 11th, 1950.

Now if Mr Temple's office boys are anything like ours, this is what would have happened. First, the seven envelopes, A–G, are set out so:

A B C D E F G
a b

Then letter a which should go into envelope A is picked up. It *could* go into any one of the six wrong envelopes B–G; actually it goes into B. Then the next letter is picked up and, the 'law of the natural cussedness of things' being what it is, it is letter b. Observe, therefore, that all six available alternatives are 'wrong' ones, so that our possibility of error to date is $6\times6=36$. In fact, letter b goes into envelope C. Next, the law still operating, letter c is picked up and again all five available alternatives are 'wrong' ones. Thus the possibility of error at this stage is $6\times6\times5=180$. I need not continue the argument. I was taught at school that the 'law' which I have stated was the only really infallible one, and I believe that it would give the office boy 4,320 chances of error $(6\times6\times5\times4\times3\times2)-4{,}320$ golden chances, each one too precious to miss.

Yours faithfully,
Coventry. J. B. WOODHAM.

'Auditor, Clairvoyant and Astrologer'

SIR, – In your issue of December 23rd, 1950, one of the paragraphs in the excellent article by Mr G. F. Saunders entitled 'Modern approach to auditing', is headed 'Auditor, clairvoyant and astrologer'.

It may interest both Mr Saunders and your readers to know that the application of the fundamental rules of astrology can prove of immense value in the profession generally, if sensibly applied. I am speaking of the ancient art as practised by Pythagoras and Shakespeare to name only two of the first-rate intellects who have studied it.

Much can be read from the horoscope erected from noon on the date of incorporation of a limited company; while the Companies Act, 1948, by providing that the date of birth of directors shall be disclosed, enables a great deal of vital information to be obtained.

With great respect to our Council, do they not labour within the compass of the regulations laid down by our Charter granted on May 11th, 1880 – under the hierarchy of Taurus, governing man's worldly possessions with the sign of Libra – the balances – shown as a device in the coat of arms? Of a truth, we weigh man's possessions in the balances – and sometimes, when articled pupils miscast balance sheets, we find him wanting!

Yours faithfully,
L. H. TRIMBY, A.C.A.

Limpley Stoke, Nr. Bath.

[Mr Saunders writes: Mr Trimby may like to organize a pilgrimage to Egypt for company accountants so that they may consult the great pyramid before providing for depreciation or replacement of assets in their annual accounts.]

Road Hauliers' Compensation: Charge Against Profits in Respect of Proprietor's Services

SIR, – With reference to the query raised by 'Prico' and his quoted excerpt from an official communication, in your issue of January 6th, 1951, it is to be hoped that the lack or shortcomings of statutory provisions should not leave the authorities with an all-over absolute right to restrict the amount of compensation.

At first it may seem logical that whereas a limited company would be compensated on the basis of the surplus after charging remuneration for services rendered, a sole proprietor should also suffer a deduction from his trading figures in respect of his own remuneration.

I think, however, that the matter calls for somewhat closer thought. Individual enterprisers are often likely, through necessity or sheer business economy,

to draw from their own undertaking less than they would receive if otherwise employed, or sometimes nothing at all. Although, in time, the resulting profits may be said to include an undistributed element of salary, they are still profits at whatever figure they stand and are as much the result of the operational policy of the proprietor as the profits of a differently constituted concern would be. Also, if the sole trader, in striving to build up and maintain his business, chooses to restrict his drawings (a privilege corresponding to the right of a larger concern to shorten its payroll) it follows that nobody else has the right to measure his remuneration for him. Conversely, what would be the official view in the case of a sole proprietor taking an extraordinary or exorbitant salary or perhaps best part of the profits in a flourishing business for himself in respect of services rendered?

I agree that one would expect the question of 'payment for proprietor's services' to be dealt with by the written law unless, of course, the Legislature hoped that the omission might ensure at least a degree of liberality where obviously called for rather than rigid, undue restraint.

Therefore, unless the Act is capable of clear interpretation and fair treatment on the point at issue, I submit that some objections by smaller road transporters on the score of 'notional expenses' must be expected and that they should be allowed the benefit of their arguments according to the facts of the case just as the authorities will surely endeavour to get by theirs.

Yours faithfully,
WILLIAM L. NEWTON, A.COMM.A., A.F.T.COM.

East Molesey, Surrey.

Increased Replacement Costs

SIR, – I was glad to see Mr E. H. Davison's courageous article on 'The purpose of the balance sheet', published in your issue of January 20th last, and was interested to see this followed by Mr Roland Bird's forthright comments on 'The use of published accounts' in your issue of February 3rd.

In following the debate on 'replacement of assets' it has seemed to me that in this context we may have to discontinue the use of the term 'depreciation' as currently applied to financial values, if we are to avoid the discussion developing at cross purposes.

Whilst it is quite clear what depreciation means when applied to the estimated physical deterioration of assets through constant wear, immediately we tag on a predetermined £ *s d* symbol to this, in a period of soaring prices, a figure is produced of dubious authenticity.

Practically all existing literature on this subject is based on the assumption of a relatively stable purchasing power for the monetary unit. This assumption is apparently not quite valid and it may be that we shall have to start afresh. We are faced with a problem of terminology. Under today's conditions the term 'amortisation' seems to be the best available one to apply to the writings-off of the original cost of fixed assets and the withholding of such sums before arriving at distributable profits.

A distinct and separate term with a defined meaning has, however, also to be found to apply to such amount as it is estimated requires to be set aside in addition to this, in order to maintain the continuance of a business in undiminished strength as a productive unit.

The upward price trend is an inseparable mixture of the inflationary tendency in its pure sense, and the ever present effect of the law of supply and demand. 'Revalorization' does not meet the case. The term 'reserves' should probably be banned in the interests of social harmony in view of the widespread misunderstanding which exists as to their whereabouts.

Mr Davison's phrase 'Retentions for increased replacement costs' comes very near the mark.

Having established the appropriate terms, we might perhaps move further along the road towards reaching a substantial body of agreement as to how we are to calculate when a business is left 'better off' and where we are to draw the line for 'estimated real net profits'.

Yours faithfully,
Manchester. J. A. SCOTT.

Profits Tax Losses

SIR, – Under Section 33 (1) of the Finance Act, 1947, a profit as computed for profits tax of under £2,000 is a nil chargeable profit 'for all purposes of the enactments relating to profits tax'.

It has been contended, therefore, that an agreed loss for profits tax, brought forward to a year in which the profit as computed for profits tax is under £2,000, should be carried forward in its entirety.

I should be pleased to hear if any of your readers have been successful in the above contention, which appears to be contrary to the interpretation of the Inland Revenue authorities.

Yours faithfully,
Liverpool, 21. STANLEY DOUGLAS.

Refund to Purchaser for Returned Article

SIR, – The majority of our sales accounts are 'less 2½ per cent monthly settlement'. During November 1950, an included item was invoiced at £50 and paid for in December at less 2½ per cent, from the aggregate account. In January 1951 our client returned the £50 article, for credit, and did not wish it to be replaced. (1) At what figure should this be credited to the customer – £50 net or less 2½ per cent, as deducted from settlement account? (2) It is quite possible that the client may not do further business with us which would involve our forwarding a cheque to him.

What are the suggestions of readers for permanent future action – ignoring any commercial domestic arrangement?

Yours sincerely,
Huddersfield. ALBERT S. COLLINSON.

REVIEWS

Carter's Advanced Accounts (Fourth Edition)

(Sir Isaac Pitman & Sons Ltd, London. 12*s* 6*d* net)

The fourth edition of this standard work has been thoroughly revised and brought up to date, Mr G. W. Murphy, B.A.(COM.), F.C.A., and Mr F. A. Bailey, A.C.A., being responsible for the chapters affected by the Companies Act, 1948, and the Finance Act, 1949. It contains 1,106 clearly printed pages with headings in heavy type acting as signposts to the text. Any reader would be well advised to invest in this massive, but by no means forbidding, manual, which covers in its giant stride the whole range of book-keeping and accountancy.

Specimen Answers to the Questions Set at the Chartered Final Examination, November 1950, with Copies of the Questions

(Study Services Ltd, London. 7*s* 6*d* net)

This folio contains two pockets, the one with the questions and the other with the answers. The compilers state that the latter are not the official answers but are, in their opinion, the type of answer which could reasonably be expected of a student. The examinee who marshals his information and sets it down as logically and concisely as in these examples can more than reasonably expect to pass.

It is intended to publish specimen answers to future examinations of the Institute within approximately seven weeks of the date of each examination. The series, as it grows, should be of much value.

The Monthly Financial Statements by Frederick Staples, C.P.A.

(The Counting House Publishing Co, Thiensville, Wisconsin, U.S.A. $1.25 net)

The first part of this book explains the method of preparing four-weekly financial statements for submission to the managements of medium-sized manufacturing concerns. The second part consists of specimen statements with a number of questions and answers on the opposite pages. The information presented is so voluminous that only companies organized to near perfection could hope to attain such a rate of productivity.

Modern Office Appliances (Fourth Edition)

(Macdonald & Evans, London. 15*s* net)

Published for the Office Appliance Trades Association of Great Britain and Ireland, this book, now in its fourth edition, describes the whole available range of accounting, costing and cash-handling machines, typewriters and their accessories and business equipment and systems. There are over 350 excellent illustrations on which the have-nots may gaze with wonder and with wild desire.

Taxation Manual Income Tax and Sur-tax Law and Practice (Sixth Edition) Compiled under the direction of Ronald Staples, Editor of *Taxation*

(Taxation Publishing Co Ltd, London. 15*s* net)

One need not read much of this book before realizing that the authors write from close practical experience with their subject, and are alive to the needs of the practitioner. The text is crammed with illustrations and references to decided cases, and is in easily readable print. Purchase of the book, at the remarkably low price of 15*s*, gives the right to receive gummed amendment slips for insertion in it, which should avoid the expense of buying a new text-book every year.

Staples on Back Duty (Fifth Edition) by Ronald Staples, Editor of *Taxation*, and Percy F. Hughes, A.S.A.A., F.C.I.S.

(Gee & Co (Publishers) Ltd, London. 21*s* net)

This is an up-to-date and enlarged edition of a book on a subject with which the name of Mr Ronald Staples is inseparably connected. The ordinary accountant or solicitor does not have to deal with this subject frequently enough to acquire a wide experience of it, and it is for such people that Mr Staples' own great knowledge and experience of it is made available. The book is full of shrewd observations on the psychology of the matter, as well as a close examination of the penalty provisions of the Income Tax Acts and of the practice of the Inland Revenue in relation to them.

Accountancy for Caterers by V. G. Winslet, A.S.A.A., A.C.I.S.

(Practical Press Ltd, London. 10*s* 6*d* net)

After a rapid review of the principles of book-keeping in general, the author proceeds to apply them to the catering industry in particular, dealing in his stride with hotels, restaurants, tea rooms, cafés, self-service restaurants, canteens and what is known in the trade as 'functions'. He also considers the question, so important in catering, of internal control. It is doubtful if 118 pages are sufficient to deal comprehensively with this array of activities but Mr Winslet writes convincingly and readers with some previous knowledge of accounting are likely to derive much benefit from his observations.

SHORTER NOTICE

PRACTICAL PROFITS INSURANCE, by E. G. Skinner A.C.I.I. (Stone & Cox Ltd, London. 2*s* 6*d* net) This booklet deals with the subject from the insurance company's viewpoint, but the accountant acting for a client will find in it some helpful hints on this rather specialized form of insurance.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council, held on Wednesday, February 7th, 1951, at the Hall of the Institute, Moorgate Place, London, EC, there were present:

Mr H. Garton Ash, O.B.E., M.C., President, in the chair; Mr C. W. Boyce, C.B.E., Vice-President; Messrs G. Adam, W. L. Barrows, Sir Harold Barton, Messrs T. Hamilton Baynes, B. H. Binder, T. Fleming Birch, J. Blakey, W. G. Campbell, P. F. Carpenter, W. S. Carrington, S. W. Cornwell, A. S. H. Dicker, M.B.E., G. R. Freeman, S. H. Gillett, M.C., P. F. Granger, D. V. House, H. Crewdson Howard, Sir Harold Howitt, G.B.E., D.S.O., M.C., Mr P. Morgan Jones, Sir Russell Kettle, Messrs W. H. Lawson, C.B.E., W. R. MacGregor, J. S. Mackenzie, S. J. Pears, C. U. Peat, M.C., P. M. Rees, M.C., L. W. Robson, T. B. Robson, M.B.E., G. F. Saunders, G. D. Shepherd, M.B.E., K. G. Shuttleworth, B. Smallpeice, E. E. Spicer, C. M. Strachan, O.B.E., E. D. Taylor, G. L. C. Touche, A. D. Walker, T. Walton, H. B. T. Wilde, with the Secretary and Assistant Secretaries.

Readmissions

On the report of the Applications Committee two applications for readmission to membership were acceded to.

Exemptions from the Preliminary Examination

On the report of the General Purposes Committee five applications under Bye-law 79 for exemption from the Preliminary examination were acceded to.

On the report of the War Bye-law Sub-Committee one application under Bye-law 63 (*a*) for exemption from the Preliminary examination was acceded to and two applications were not acceded to.

Reduction in Period of Service under Articles

On the report of the General Purposes Committee four applications under Bye-law 61 for a reduction in the period of service under articles were acceded to.

On the report of the War Bye-law Sub-Committee five applications under Bye-law 63 (*c*) for a reduction in the period of service under articles were acceded to.

Exemptions from the Intermediate Examination

On the report of the General Purposes Committee three applications under Bye-law 85 (*b*) for exemption from the Intermediate examination were acceded to and one application was not acceded to.

On the report of the Examination Committee eighteen applications under Bye-law 85 (*a*) for exemption from the Intermediate examination from articled clerks who had produced evidence of having graduated by taking one of the degree courses approved by the Council under Bye-law 62 were acceded to.

Examination Results – November 1950

The Examination Committee reported the results of the examinations in November 1950 as follows:

	Passed	*Failed*	*Disqualified*	*Total*
Preliminary	110	155	–	265
Intermediate	513	584	1	1,098
Final	444	597	–	1,041
	1,067	1,336	1	2,404

The following prizes and certificates of merit were awarded:

Intermediate

First Certificate of Merit, the Institute Prize and the 'Plender' Prizes for the Book-keeping and Accounts (Limited Companies) and the Taxation and Cost Accounting Papers
D. L. Range (London).

Second Certificate of Merit and the 'Robert Fletcher' Prize
G. A. Pearlman (London).

Third Certificate of Merit
D. F. Collins (London).

Fourth Certificate of Merit, the 'West' Prize, and the 'Plender' Prize for the General Commercial Knowledge Paper
W. R. Dean (Birmingham).

Fourth Certificate of Merit, the 'Frederick Whinney' Prize, and the 'Plender' Prize for the Book-keeping and Accounts (Partnership) Paper
M. R. Shroff (London).

Sixth Certificate of Merit
K. C. P. Barrington (London).

Seventh Certificate of Merit
M. H. Jenner (East Grinstead).

Eighth Certificate of Merit and the 'Plender' Prize for the Book-keeping and Accounts (Executorship) Paper
J. Ullman (London).

Ninth Certificate of Merit
J. A. Arnold (London).

Tenth Certificate of Merit
M. R. Jarrett (London).

Eleventh Certificate of Merit
D. C. Jolly (London).

Twelfth Certificate of Merit
R. L. Matthew (London).
H. Williams (London).

Fourteenth Certificate of Merit
L. Harrison (London).
F. W. Letch (London).

'Plender' Prize for the Auditing Paper
D. T. Rodgers (London).

'O. C. Railton' Prize for the year 1950
E. E. Ray (London).
(*May* 1950 *Final examination.*)

Final

First Certificate of Merit, the Institute Prize, the 'W. B. Peat' Medal and Prize, and the 'Plender' Prizes for the Advanced Accounting (Part II), the English Law (Part I) and the English Law (Part II) Papers
Y. S. Tayal (London).

Second Certificate of Merit, the 'Walter Knox' Scholarship and the 'Frederick Whinney' Prize
C. Figov (London).

Third Certificate of Merit and the 'Plender' Prize for the Taxation Paper
J. H. Hewitt (Nottingham).

Fourth Certificate of Merit, the Auditing Prize and the 'Plender' Prize for the Auditing Paper
G. R. Deveson (London).

'Plender' Prize for the Advanced Accounting (Part I) Paper
R. N. G. Clarke (Leicester).

'Plender' Prize for the General Financial Knowledge and Cost Accounting Paper
A. D. Freeman (London).

'Roger N. Carter' Prize
F. A. Jones (Manchester).

Preliminary

'Deloitte' Prize for the year 1950
J. F. N. Jackson (Sunderland).
(*May* 1950 *Preliminary examination.*)

Examinations and Exemption from Preliminary Examination

On the report of the Examination Committee the Council decided that the following statements should be published:

Unsuccessful Candidates in Examinations

At its meeting on June 7th, 1950, the Council decided that unsuccessful candidates at the Intermediate and Final examinations should be advised of their aggregate marks in those cases where the candidate was regarded by the moderators as a 'bad failure' in the examination as a whole.

Out of a total of 155 who received such notices in the May 1950 Intermediate examination, 69 candidates sat again in November 1950. In the Final examination the respective numbers were 62 and 14. None of these candidates was successful.

In the November 1950 examinations 112 and 75 candidates respectively were classed as 'bad failures'.

The Council considers that it is the duty of a principal to see the failure notice of any of his articled clerks who has been unsuccessful in an examination of the Institute.

Use of Slide Rules at Intermediate and Final examinations

The Council decided to permit in future the use of slide rules by candidates at Intermediate and Final examinations.

General Certificate of Education Examination

The Council has given further consideration to the General Certificate of Education examination in the light of the full syllabuses of the examining bodies concerned and has decided to amend its requirements for exemption from the Preliminary examination. Under the Council's existing requirements one of the compulsory subjects is 'English language *or* English'. This has now been amended by deleting the alternative 'or English'.

Matriculation Examinations

The Council has decided that for the purpose of granting exemption from the Preliminary examination to candidates in respect of performances at the General Certificate of Education examination a pass in any subject obtained at one matriculation examination recognized by the Council under Bye-law 78 (*b*) will be accepted as equivalent to a pass at ordinary level in the General Certificate of Education examination.

Scottish Leaving Certificate Examination

The Council has resolved that the Scottish Leaving Certificate examination which commenced in 1950 (in place of the Senior Leaving Certificate examination) be recognized under Bye-law 78 (*b*) for exemption from the Preliminary examination, provided that:

(*a*) the candidate has *at one and the same examination* obtained a pass at the lower or higher grade in not less than *five* subjects which shall include the following:
  (i) English;
  (ii) Mathematics (Arithmetic will *not* be accepted);
  (iii) any *three* subjects other than those taken under (i) and (ii) above; or

(*b*) the candidate has *in the course of not more than two examinations* obtained a pass at the lower or higher grade in not less than *six* subjects which shall include the following:
  (i) English;
  (ii) Mathematics (Arithmetic will *not* be accepted);
  (iii) any *four* subjects other than those taken under (i) and (ii) above;

and for this purpose a pass in any subject at the lower or higher grade obtained at the Senior Leaving Certificate examination will be accepted as equivalent to a pass in that subject at the Scottish Leaving Certificate examination. In this connexion passes obtained at one Senior Leaving Certificate examination only will be accepted in combination with one Scottish Leaving Certificate.

Nathan Committee on Charitable Trusts

On the report of the Parliamentary and Law Committee the Council approved a memorandum for the Nathan Committee on Charitable Trusts.

Certificates of Practice etc.

On the report of the Applications Committee the following resolutions were passed:

(1) That certificates of practice be issued to the following sixty-five associates who have commenced to practise:

Brereton, William John; 1931, A.C.A.; (G. E. Holt & Son), Victoria House, Southampton Row, London, WC1, and at Liverpool.
Broadhead, George Norman; 1938, A.C.A.; 180 Whitehall Road, Great Bridge, Tipton, Staffordshire.
Brotherton, Donald Clennell, B.A.; 1950, A.C.A.; (Murphy, Bailey & Co), Haworths Buildings, 5 Cross Street, Manchester, 2, and at Chapel-en-le-Frith.
Budd, Leslie Ernest; 1949, A.C.A.; (W. J. Calder, Sons & Co), and (H. A. Leach & Co), 90 Jermyn Street, London, SW1.
Chilcott, John Bowering; 1950, A.C.A.; (*J. & A. W. Sully & Co), 141 East Street, South Molton, Devon, and at Barnstaple.
Comley, Edwin John; 1937, A.C.A.; (*Stanley Holmes & Co), 68 Pall Mall, London, SW1.
Coope, Peter Ronald; 1950, A.C.A.; (W. Ronald Coope & Son), Albion Chambers, King Street, Nottingham.
Crane, Edgar Leonard; 1925, A.C.A.; (E. L. Crane & Co), 7 Southampton Place, London, WC1, and at Dorking.
Crooks, James Evan; 1940, A.C.A.; 14 Brooklands Road, Hall Green, Birmingham, 28.
Crow, Raymond Felix; 1950, A.C.A.; Moorfield, Highcliff-on-Sea, Hampshire.
Cruickshank, Arthur Harold; 1947, A.C.A.; (Collins & Collins), 19 High Street, Andover.
Cussons, Herbert Cousland; 1938, A.C.A.; (G. E. Holt & Son), C Building, Queen Insurance Buildings, 10 Dale Street, Liverpool, 2, and at London.
Dessauer, Klaus Jacob; 1950, A.C.A.; 4th Floor, Abbey House, 215 Baker Street, London, NW1.
Eaton, Donald Stuart; 1945, A.C.A.; (*Halpern & Halpern), 140 Park Lane, London, W1.
Evans, Evan Kenrick; 1950, A.C.A.; (*A. A. Thomas, Rogers & Co), Midland Bank Chambers, Llandudno.
Fowell, Henry Ernest John; 1950, A.C.A.; (*Jayson, Arnold & Co), 34 South Molton Street, London, W1.
Freeborn, Donald; 1948, A.C.A.; Parkfield House, Garforth, Yorkshire.
Golden, Lewis Lawrence; 1947, A.C.A.; (Lewis Golden & Co), 63 Neal Street, Shaftesbury Avenue, London, WC2.
Goldstein, Frank; 1949, A.C.A.; 1 Brookside Road, London, NW11, and 3-4 Lincoln's Inn Fields, London, WC2.
Grande, John Edgar; 1950, A.C.A.; (Knill, Padgham & Grande), 27 Hertford Street, London, W1.

* placed against a Firm Name signifies that the Firm is not exclusively composed of members of the Institute.

Groves, Sidney Nixon, B.COM.; 1947, A.C.A.; (John G. Nixon & Co), 21 Eldon Square, Newcastle upon Tyne, 1.
Gulliford, Douglas John; 1947, A.C.A.; (Edmonds & Co), 13 Liverpool Gardens, Worthing, Sussex.
Harding, Thomas Garrard, M.A.; 1950, A.C.A.; (James, Edwards & Co), Salisbury House, London Wall, London, EC2.
Harley, John Ireland; 1949, A.C.A.; (R. F. Miller & Co), Ramsden Square, Barrow-in-Furness, and at Keswick and Ulverston.
Hatch, Maurice Edward, D.F.C.; 1947, A.C.A.; (Saffery, Sons & Co), 200 Gresham House, Old Broad Street, London, EC2, and at Margate.
Hayes, George Edward; 1950, A.C.A.; 26 Illingworth Road, Preston.
Heatley, William Richard Juer; 1950, A.C.A.; (Geo. W. Elcock & Co), 1075 Warwick Road, Acocks Green, Birmingham.
Humphreys, Ronald John; 1950, A.C.A.; 61 Latimer Avenue, East Ham, London, E6.
Irving, Jack Briggs; 1935, A.C.A.; (J. B. Irving & Co), 196 Edleston Road, Crewe, Cheshire.
Johnston, David Oliver; 1948, A.C.A.; (Oldham, Holland & Co), 63–64 New Broad Street, London, EC2.
Jones, Arthur; 1950, A.C.A.; (Mitchell & Bunting), 27 Lord Street, Liverpool, 2.
Kirkham, Norman; 1950, A.C.A.; (Cecil Tildesley & Tonks), Metropolitan Chamber, Lichfield Street, Wolverhampton.
Knox, Margaret Meikle; 1934, A.C.A.; 4 Cranes Park Avenue, Surbiton, Surrey.
Lane, John Wallace; 1950, A.C.A.; (Ralph Pinto & Co), 228–231 Gresham House, Old Broad Street, London, EC2.
Light, Frank; 1950, A.C.A.; 3 Crompton Road, Levenshulme, Manchester, 19.
Lofthouse, Harry; 1950, A.C.A.; (William Lambert & Co), National Provincial Bank Chambers, Scott Street, Keighley.
McGregor, Eric Hutchinson; 1949, A.C.A.; (Owen West & Brewster), National Provincial Bank Chambers, 5 & 6 Broad Street, Reading.
Marriott, Alan Anthony; 1947, A.C.A.; (Priest, Marchant & Co), St Bride's House, 11 Salisbury Square, Fleet Street, London, EC4, and 101 Chamberlayne Road, Kensal Rise, London, NW10, and at Croydon and Northwood.
Millard, Robert George; 1939, A.C.A.; (Albert Goodman & Co), 3 Hammet Street, Taunton, and at London.
Morison, Walter McDonald; 1949, A.C.A.; (Morison, Rutherford & Co), 20 Eastcheap, London, EC3.
Mounsey, Henry Charles; 1949, A.C.A.; (Harmood Banner, Lewis & Mounsey), 24 North John Street, Liverpool, 2, and at Chester and London.
Munday, Rowland John; 1938, A.C.A.; (R. J. Munday & Co), 282 Garth Road, Morden, Surrey.
Nash, John Frederick; 1950, A.C.A.; Parkstile Chambers, Market Street, Kettering, and at London.
Newman, Norman William; 1950, A.C.A.; Furnival House, 14–18 High Holborn, London, WC1.
Nicholson, Dennis Thomas Holme, M.B.E.; 1949, A.C.A.; (Saffery, Sons & Co), 200 Gresham House, Old Broad Street, London, EC2, and at Margate.
Parker, James Walton; 1948, A.C.A.; (*N. T. O'Reilly & Partners), Birbeck House, Duke Street, Penrith, and at Carlisle.
Parkinson, Nigel Henry; 1949, A.C.A.; (Baker Bros., Halford & Co), Selborne Buildings, 14 Millstone Lane, Leicester.
Powell, Charles Henry William; 1946, A.C.A.; (William S. Ogle & Co), 90 Gresham House, 24 Old Broad Street, London, EC2.
Sanderson, William Edward; 1950, A.C.A.; (J. Noel Paul & Co), 35 Galgate, Barnard Castle, Co. Durham.
Sate, Derek James; 1950, A.C.A.; (*Burgess, Burgess & Co), 26 Craven Street, Strand, London, WC2, and 5A St Mary's Road, Harlesden, London, NW10, and at Swindon.
Secker, Cyril Edward; 1921, A.C.A.; 45 Cissbury Ring South, Woodside Park, London, N12.
Shrebnick, Alfred Lionel; 1950, A.C.A.; (*Bartfield & Co), 73–75 Mortimer Street, London, W1.
Siddle, Edward Rowland; 1950, A.C.A.; (Albert Goodman & Co), 3 Hammet Street, Taunton, and at London.
Smith, Alfred; 1949, A.C.A.; 98 St. James Road, Northampton.
Smith, Bertram; 1950, A.C.A.; 95 Preston New Road, Marton, Blackpool.
Stafford, Frank Cranstoun; 1914, A.C.A.; 4 Osney Gardens, Paignton, Devon.
Stockley, Michael Pierre; 1950, A.C.A.; 263 Addiscombe Road, East Croydon, Surrey.
Sudell, Henry Arnold; 1949, A.C.A.; (Impey, Cudworth & Co), Finsbury House, Blomfield Street, London, EC2, and at Birmingham and Evesham.
Thornber, Gerald James; 1931, A.C.A.; 8 Lomond Avenue, Blackpool.
Wade, Stewart Harry Clarence; 1949, A.C.A.; (Wright & Westhead), 1 Martin Street, Stafford, and at Wolverhampton.
Webster, David Faulkner; 1949, A.C.A.; (C. F. Bird & Co), 46 Bedford Row, London, WC1.
Williams, George Anthony; 1949, A.C.A.; (Jones, Robathan, Thompson & Co), 11–12 Skinner Street, Newport, Mon, and at Cardiff, Carmarthen, Chatteris, London, Lydney and Tenby.
Williams, Horace Edwin; 1933, A.C.A.; (Wenn, Townsend & Co), 55 Cornmarket Street and 21 St. Michael's Street, Oxford.
Wilson, George Grandidge; 1948, A.C.A.; (Alexander, Sagar & Co), 31 Clarendon Road, Leeds, 2.
Wrench, John James; 1950, A.C.A.; (Joynes, Wrench & Co), 17 Bedford Row, London, WC1.

(2) That three associates be elected to fellowship under clauses 9 and 31 of the supplemental Charter (Bye-law 37).

(3) That fifty associates be elected to fellowship under clause 6 of the supplemental Charter (Bye-law 31).

(4) That four associates be elected to fellowship under clauses 6 and 31 of the supplemental Charter (Bye-law 31).

(5) That five applicants be admitted as associates under clause 9 of the supplemental Charter (Bye-law 36).

A list of those who complete their fellowship or membership before February 20th will appear in *The Accountant* on February 24th.

Reversion to Associate

The Secretary reported that Mr Donald Kingston Walker, F.C.A., had reverted to associate under clause 7 of the supplemental Charter.

Registration of Articles

The Secretary reported that 150 articles of clerkship were registered during the month of January as compared with 135 in the previous January.

Resignation

The Secretary reported the resignation of:

Mr Guy Sturdy Brewster, A.C.A., London, EC2.
,, Herbert Frederic Conway, A.C.A., Manchester.
,, John Myers, A.C.A., Lancing.
,, Geoffrey Pickup, A.C.A., Kirdford.
,, Denis Ernest Roberts, A.C.A., Uckfield.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Sidney Allport, F.C.A., London.
„ Harold Ashby, F.C.A., Knebworth.
„ Harold Cyril Spencer Bell, F.C.A., Cheltenham.
„ Bernard Collett, F.C.A., London.
„ Bramwell Collinge, F.C.A., Blackpool.
„ Frank Wandesford Comber, B.A., F.C.A., Northwood.
„ Almarus Edward Henry Digby, B.A., A.C.A., Guernsey.
„ Gilbert Goodrick Duddell, A.C.A., Ipoh, Malaya.
„ Sydney Murdoch Frost, A.C.A., Leicester.
„ Roland Green, A.C.A., Birmingham.
„ Wilfrid Harrison, F.C.A., London.
Mr Frederick Charles Hayward, A.C.A., Ontario.
„ Elfyn David Jones, A.C.A., London.
„ Donald Roche MacDonald, F.C.A., London.
„ Leonard Osborne McMillan, A.C.A., Sutton.
„ Archibald Martin, A.C.A., Southampton.
„ Arthur Edward Mitchell, F.C.A., Chesterfield.
„ Henry Womersley Moss, A.C.A., Scarborough.
„ James Turner Norris, A.C.A., Sidcup.
„ Basil Gartside Pike, F.C.A., London.
„ Hubert Smith, A.C.A., Southbourne.
„ Douglas Thompson, A.C.A., Accrington.
„ Archibald Henry Weller, A.C.A., Malvern.
„ Francis Norman Whiteley, A.C.A., Bournemouth.
„ Harold Earnshaw Whittles, A.C.A., Hitchin.
„ Frank Lloyd Williams, F.C.A., Liverpool.

INCORPORATED ACCOUNTANTS' DISTRICT SOCIETY OF LIVERPOOL

DINNER

The Incorporated Accountants' District Society of Liverpool held a dinner at *The Adelphi Hotel*, Liverpool on Friday, February 9th, 1951. The President of the Society, Mr Lawrence Bailey, F.S.A.A., was in the chair, and with Mr A. Stuart Allen, F.S.A.A., President of the Society of Incorporated Accountants and Auditors, received the 100 members and guests who attended.

Among those present were Alderman The Rev. H. D. Longbottom, J.P., Lord Mayor of Liverpool, Dr J. F. Mountford, M.A., D.LITT., D.C.L., LL.B., Vice-Chancellor of the University of Liverpool; and

Mr A. E. Aspinall, M.C., F.C.W.A., A.C.I.S. (*President, Liverpool and District Branch, Institute of Cost and Works Accountants*); Alderman G. W. Bevan, J.P. (*Mayor of Crosby*); Alderman D. B. Black, J.P. (*Mayor of Bootle*); Lt.-Col. P. G. R. Burford, T.D., M.A. (*Secretary, Liverpool Chamber of Commerce*); Mr K. J. Brizell (*Secretary to the Lord Mayor of Liverpool*).

Messrs E. A. G. Caroe, B.A. (*Chairman, Liverpool Chamber of Commerce*); G. Castell, F.L.A.A. (*Hon. Secretary, Liverpool Branch, Association of Certified and Corporate Accountants*); G. H. Corton, F.A.I. (*President, Liverpool Branch, Chartered Auctioneers and Estate Agents' Institute*); I. A. F. Craig, O.B.E. (*Secretary, The Society of Incorporated Accountants*); Professor D. R. Seaborne Davies, M.A., LL.B. (*Dean of the Faculty of Law, Liverpool University*); Messrs H. J. C. Davies, F.C.I.S. (*President, Liverpool Branch, Chartered Institute of Secretaries*); E. T. Denton, B.A., F.C.A. (*Hon. Secretary, Liverpool Society of Chartered Accountants*); Derek du Pré (*Editor, 'The Accountant'*); Ernest Edwards, LL.B.

Messrs A. K. Ferguson, A.C.A. (*Official Receiver in Bankruptcy*); C. M. Foxon, F.S.A.A. (*Hon. Secretary, Incorporated Accountants' District Society of Nottingham*); Alderman Frank Garstang, J.P., M.A. (*Mayor of Birkenhead*); Messrs Ernest G. Hardman, F.C.I.S.; E. J. Holford-Strevens (*Regional Controller, Board of Trade*); J. F. Huddleston (*American Consul-General*); C. H. Kershaw, A.S.A.A. (*Hon. Secretary, Incorporated Accountants' District Society of Sheffield*).

Messrs Noel Lewis, F.C.A., F.C.I.S. (*Hon. Secretary, Chartered Institute of Secretaries, Liverpool Branch*); C. Yates Lloyd, F.S.A.A. (*Hon. Secretary, Incorporated Accountants' District Society of Manchester*); K. R. Stanley, F.S.A.A. (*Hon. Secretary, Incorporated Accountants' District Society of North Lancashire*); Alderman Frederick Statham, J.P. (*Mayor of Bebington*); Messrs G. W. Street, F.S.A.A. (*President, Incorporated Accountants' District Society of Manchester*); M. J. Vechsler (*Canadian Government Trade Commissioner*); Alderman J. H. Wensley, J.P. (*Mayor of Wallasey*); Messrs G. M. W. West, F.C.A. (*President, Liverpool Society of Chartered Accountants*); F. M. Wilmot (*H.M. Principal Inspector of Taxes, Liverpool*).

Mr Bailey, proposing the toast of 'The Lord Mayor and The City of Liverpool', said in the course of his speech:

'The Lord Mayor, at a meeting a few days ago, said: "This is a time for advancement, for the time is right for advancement", and I think he was right. It happened that on the very same day when I read those remarks in the paper, I had occasion to peruse a document of the Hudson's Bay Company, the name being formerly called "The Company of Adventurers trading for the Hudson". Adventurers of England! It is true that the old type of adventure has long gone by. Many ships have sailed from Merseyside since then, but there are still uncharted places and many fields for exploration by virile minds. I am sure that the citizens of Liverpool will not fail to embark on such adventures. (Applause.)

'Liverpool is a port and lives on the River Mersey. It carries on its tides the hopes and fortunes of all of us. It has, as a port, the role of a gateway to the west – that is how our main contribution to our country is made. We are proud indeed that we are so linked up with America. We have forged ties with that country so that it will make it quite impossible to be at loggerheads with the United States of America.' (Applause.)

The Lord Mayor of Liverpool, in response to the toast, said:

'Along with the services of the great founders of our local industries, commerce and businesses, they, quite legitimately, may have been self-interested, but there may not necessarily have been any selfishness. A man who has no regard for himself will have precious little regard for his neighbour, but I do think that self interest must always go with social service. It may not always be apparent. I do not think that a man should wear sackcloth or be apologetic if his business should make a profit. A man who is not making a profit ought sometimes to be apologetic. I hope the spirit of self interest and social service will be maintained alongside each other.' (Hear, hear.)

He continued:

'I suppose there are a lot of people who consult you and you have a high reputation of being accepted by the most suspicious people in the world – the income-tax collectors. They tell me that they accept your word – which gives me a very exalted opinion of you – in preference to mine. I think you have a lot to live up to. It must be necessary on occasions like these to relax a little. I cannot imagine you living on that mountain peak all the time –

in any case, your wives who know all about you will soon take the halo off you.' (Laughter)

A toast to 'The Society of Incorporated Accountants' was proposed by Dr J. F. Mountford, M.A., D.LITT., D.C.L., LL.B., who said:

'We are living in an age of great educational changes. Thirty years ago it would be normal and proper procedure for a boy between fourteen and sixteen years of age to consider getting himself articled to one or other of the professions and learning his business in that way, but now young people of ability – the cream of young people – to whom we look to be the backbone of the professions, are staying at school longer.'

Mr Stuart Allen, responding to the toast, said:

'We all realize the heavy and increasing responsibility on those entrusted with the conduct of trading and industrial activities of the country, accepting that the demand today is ever for more efficient production at competitive prices, but they are harassed by shortages of materials and manpower. It is apparent to all of us that the shortages must be aggravated by the compulsion of rearmament, and the question of costs which are rising constantly.

'Always in the background there is the greatest anxiety of all – where are they to find the funds which alone can make modernization of equipment possible, when they are faced with the burden of taxation unequalled in any other country in the world? Not even the wildest optimist can hope for any alleviation in that respect.

'The problem of finance in relation to the burden of taxation is apparent from a close study of the terms of reference of the Royal Commission on Taxation which is now sitting. The difficulties of the Commission will be increased if one bears in mind that it is the avowed purpose of much legislation to bring about the redistribution of income and of wealth. It is an ideal not likely to be abandoned while the common aim of all parties is the development of the welfare state. It is very much open to question as to whether it is feasible to propose, at the same time, this ideal of equality and an all-out drive for business efficiency. My feeling is that these two aims are wholly incompatible and cannot be pursued with any chance of success.' (Applause)

The toast of 'Our Guests' was proposed by Mr John Ainsworth, M.B.E., F.S.A.A., in a delightful speech and was ably acknowledged by Professor D. R. Seaborne Davies, M.A., LL.B., Dean of the Faculty of Law, University of Liverpool.

NOTES AND NOTICES

Personal

MESSRS LEIGH & SORENE, Chartered Accountants, announce that on February 19th, 1951, they remove their offices from 21 Kingsland High Street, E8, and 93 Cannon Street, EC4, to 146 Oxford Street, W1. Telephone: Langham 7481–2.

MESSRS BUCKLEY SCURR & GILROY, Clarendon Road, Portsmouth, announce with regret that Mr J. G. BUCKLEY, A.C.A., died on January 30th, 1951. Mr BUCKLEY was admitted an associate of the Institute in 1927. He had been for many years a director and secretary of Messrs CURTIS & SONS LTD, of Portsmouth. The practice will continue under the same style.

MESSRS CALLINGHAM, BROWN & CO, Chartered Accountants, of Balfour House, 119–125 Finsbury Pavement, London, EC2, regret to announce the death of their partner, Mr ERIC W. WENTZELL, A.C.A., A.S.A.A., on February 5th, 1951, after a long illness. The practice will be continued by the remaining partners under the same style and at the same address.

The partners in Messrs PANNELL, CREWDSON & HARDY announce with regret that Mr ROGER HARDY PANNELL, F.C.A., who has been with the firm for 38 years, intends to retire on February 28th, 1951, to live in Northern Ireland. His father, the late Mr WILLIAM HENRY PANNELL, F.C.A., founded the firm of PANNELL & CO in 1869 and so father and son have practised in the City of London for over 80 years.

MESSRS BARTFIELD & CO, Incorporated Accountants, of Leeds and London, have pleasure in announcing that Mr ALFRED LIONEL SHREBNICK, A.C.A., who has been associated with them for a number of years, has been admitted as a partner in their London practice as from January 1st, 1951. The practice will be carried on under the name of BARTFIELD & CO at 73–5 Mortimer Street, London, W1.

Professional Note

Mr G. L. Armitage, A.S.A.A., A.C.I.S., has been appointed to fill the vacancy at Birmingham Co-operative Society caused in January this year by the promotion of Mr E. Turner from assistant to joint secretary. Mr Armitage was general secretary of the Kettering Industrial Co-operative Society for about two years.

In Parliament

INCOME TAX: RECALLED RESERVISTS

Mr BOYD-CARPENTER asked the Chancellor of the Exchequer whether it is the intention of His Majesty's Government to subject to tax the bounty to be paid to Reservists to be recalled for service this year.

Mr GAITSKELL: These bounties will not be subject to income-tax.

Mr BOYD-CARPENTER: Will that principle be applied also to bounties paid to members of the Territorial Army going to camp?

Mr GAITSKELL: I think that is the case.

Hansard, Feb. 6th, 1951, Oral Answers, Col. 1536.

CAPITAL PROFITS: TAXATION

Mr ALBU asked the Chancellor of the Exchequer whether he will enlarge the terms of reference of the Royal Commission on Taxation of Incomes to include consideration of taxes on capital gains.

Mr GAITSKELL: The Royal Commission have been informed, in reply to an inquiry received from them, that their present terms of reference entitle them to consider the question of charging to income-tax or profits tax any profit ranking as a capital profit under the existing law which might reasonably be brought within the scope of those taxes.

Hansard, Feb. 6th, 1951, Oral Answers, Col. 1532.

National Insurance Act, 1946

FIRST INTERIM REPORT BY THE GOVERNMENT ACTUARY

The recently published First Interim Report by the Government Actuary reviews the working of the National Insurance Scheme during the period July 5th, 1948, to March 31st, 1950.[1]

The first of a series of annual reviews under Section 39 (1) (*b*) of the National Insurance Act, 1946, this report is concerned only with the operation of the scheme during the twenty-one months since its introduction. A comprehensive review under Section 39 (1) (*a*) of the Act reporting on the financial condition of the National Insurance Fund and the adequacy or otherwise of the contributions payable under the Act is not due until 1954.

The report draws attention to three main points: (*a*) There are 23½ million contributors to the scheme, including 21½ million employed persons. The figures indicate a considerable shift from the classes of self-employed and non-employed persons to the employed class since pre-war days. (*b*) The scheme inherited assets of nearly £900 million from the old insurance schemes. During the period of twenty-one months now under review, income – including Exchequer contribution of about £228 million – exceeded expenditure by about £225 million. This was due mainly to low unemployment which affects the cost of unemployment benefit and also results in larger contribution receipts. The balances in the funds at March 31st last were over £1,100 million. (*c*) The annual cost of retirement pensions is at present about £250 million which represents two-thirds of the total expenditure under the scheme. This cost will double during the next thirty years because of the increase in the aged population entitled to benefit. As contribution income will remain relatively stationary this additional cost will fall almost wholly on the Exchequer. (*d*) As far as available statistics permit, the report reviews the working of each benefit under the scheme.

Enemy Property Vested in Custodian

The Board of Trade have made an Order (the Trading with the Enemy (Custodian) Order, 1951) (S.I., 1951, No. 153 (H.M.S.O., 2*d*)) which vests in the custodian certain enemy property and the right to receive certain moneys. The enemy property comprises certain securities and property[2] existing by virtue of any will, settlement, trust, intestacy, contract or agreement. The moneys the right to receive which is vested comprise those payable in respect of the property referred to above and those payable in respect of securities already vested in the custodian including proceeds of redeemed securities, drawn bonds, etc.

The Order operates in respect of the property of and moneys becoming payable to the following: the German State; any individual resident in Germany; any body of persons constituted or incorporated under the laws of Germany; any body of persons carrying on business in any place, if and so long as the body is controlled by any of the foregoing; as respects any business carried on in Germany any individual or body of persons carrying on that business in Germany; and individuals (other than British subjects or British protected persons) of German nationality resident in Japan, Bulgaria, Hungary, Roumania, Italy or Austria.

The Order does not operate as respects property which has come into the ownership of any person by reason of any trade authorized under trading with the enemy legislation or money payable as a result of such authority, nor as respects property released or money repaid by a custodian. Persons and concerns in the United Kingdom who have engaged in dealings with those referred to at paragraph 2 above are advised to refer to the Order.

[1] H.M.S.O., 1*s*.

[2] Excluding property in the estates of deceased persons which is vested in the Administrator of German Enemy Property by the German Enemy Property Vesting Order, 1951, also made by the Board of Trade.

American Cost Accounting Studied

Thirty-five experts in cost accounting methods, representing fifteen of the member countries of the Organization for European Economic Co-operation are now in New York on a mission which has been arranged in conjunction with E.C.A. under the technical assistance scheme. They will spend two months in the United States, studying works accounting and cost control methods used in representative industrial enterprises, visiting industrial undertakings of all types and sizes.

The mission includes one representative from the United Kingdom – Mr R. W. Parker, C.A., Divisional Finance Director of the Scottish Division of the National Coal Board.

The Institute of Actuaries

At an ordinary general meeting of The Institute of Actuaries to be held in the hall of the Chartered Insurance Institute, 20 Aldermanbury, EC2, on Monday, February 26th, at 5 p.m., Messrs F. H. Spratling, F.I.A., and F. J. Lloyd, F.I.A., will submit a paper entitled 'Personnel statistics and sickness-absence statistics'.

Return of Outstanding Debt

The Institute of Municipal Treasurers and Accountants has compiled a statistical return,[1] on similar lines to those of previous years, on the outstanding debt in England and Wales of all counties, county boroughs, Metropolitan boroughs, the London County Council, the City of London, and also a sample of non-county boroughs and urban districts.

The 83 county boroughs head the net loan debt of local councils to the Government with a total of £757,355,089. The other total loan debts detailed in the return are: counties (61 – excluding London), £112,209,543; London County Council, £116,392,988; Metropolitan Boroughs and the City, £71,310,073. These sums amount to £1,057,267,693, which, on the total population assessed at 43,592,426, is a *per capita* debt of £24 5s 1d. Housing accounted for £12 0s 11d of this figure.

The South-Eastern Society of Chartered Accountants

SOUTHAMPTON AND DISTRICT MEMBERS' GROUP

Mr S. C. Rowland, F.S.A.A., F.I.M.T.A., Borough Treasurer of Southampton, gave an informative and helpful talk on local government finance to members of the group on February 5th at the Royal Hotel, Southampton. He outlined various methods of raising loans and obtaining revenue. His talk was followed by a discussion which lasted for more than one hour. Mr P. D. Irons, B.COM., A.C.A., Chairman of the Group, expressed a unanimous vote of thanks to Mr Rowland, who was accompanied by Mr T. A. Whalley, A.S.A.A., A.I.M.T.A.

The Chartered Accountant Students' Society of London

A short course for speakers begins next Monday, February 19th, to give members the opportunity to develop their powers 'to know what they think and to say what they mean'; it opens with an address by Mr John Diamond, M.P., F.C.A. The second meeting, on February 26th, will discuss short motions in small parties so that beginners can have ample chance to get on their feet. The following meetings will discuss motions with increasing formality: on March 5th, 'That the aeroplane should never have been invented'; on March 12th, 'Free enterprise or state control'; on March 19th, 'British patriotism'. The course will conclude with a dinner debate on the motion, 'That modesty is one of the seven deadly virtues'. All meetings, except the dinner debate, will be held on Mondays at 5.30 p.m. in the Oak Hall of the Institute.

[1] The Institute of Municipal Treasurers and Accountants (Incorporated). Price 3s 6d net.

Recent Publications

HOW TO WRITE TECHNICAL BOOKS, by John Gloag. x+159 pp. 7½×5. 12s 6d net. George Allen & Unwin Ltd, London.

SHARE-TRANSFER OFFICE PROCEDURE, by M. F. Marshall Parkes, M.C., and G. Brian Parker, M.A., LL.B. ix+220 pp. 8½×5½. 15s net. Jordan & Sons Ltd, London.

Our Weekly Problem

NO. 33: COLOURED TUBES OF TOOTH-PASTE

Mr L. U. Sidate attributed the excellence of his teeth to the fact that every tooth-paste contributed something to the health of the mouth. He used a different coloured tube each day, including a French mauve variety (which he had been given) on Friday. Each tooth-paste was a different price (no half-pence) and the total cost him 7s 9d. Saturday's was the most expensive and cost 3d more than Wednesday's and 5d more than the green which was the cheapest. Wednesday's was a colour mixture of the primary colours of Thursday and Tuesday (which did not cost 1s 5d). The blue cost 1s 4d. Sunday's and Wednesday's cost twice the yellow. The other colours not mentioned by name were white, orange and red.

What was the cost of the red tube?

The answer will be published next week.

ANSWER TO NO. 32: OFFICE TEA

The moves were as follows:

Big Teapot	*Girls' Teapot*	*Partners' Teapot*
8 (300°)	0	0
3	5 (296°)	0
3	2	3 (292°)
6 (294°)	2	0
6	0	2
1	5 (290°)	2
1	4	3

The temperature of the girls' tea was thus 290°.

Note. The third move resulted in 3 of 300° and 3 of 288° in the big teapot, i.e. 6 of 294°.

OFFICIAL NOTICES

His Majesty's Colonial Service, Singapore

Vacancies exist for ASSISTANT COMPTROLLERS OF INCOME TAX whose duties will include the examination of taxpayers' accounts and matters arising therefrom.

The appointments are on agreement for a period of two years at a total consolidated salary of \$1,500 a month (£2,100 a year). Half pay is payable on the outward voyage. Income-tax is payable at local rates which are substantially lower than United Kingdom rates.

Free first-class passages are provided both ways for the officer, his wife, and children under the age of 10 years, up to a maximum of five passages in all.

Selected candidates may be accompanied by their wives and families, if passages are available, but an officer may be required to proceed by air in advance of his family who may follow at first opportunity by sea.

Government quarters are provided, where available, free. If quarters are not available the officer and family will be accommodated in a hotel and will be paid appropriate allowances.

At the satisfactory completion of agreement leave is granted at the rate of four days for each completed month of residential service and local leave is also granted in accordance with exigencies of the service.

Candidates must be *Chartered or Incorporated Accountants* preferably below 45 years of age and *must have had, since qualifying, at least five years' professional experience including income-tax and investigation work.*

Candidates should apply as soon as possible for a form of application to the Director of Recruitment (Colonial Service), Sanctuary Buildings, Great Smith Street, London, SW1, quoting the reference number 27042/27/51.

The South Wales Electricity Board

Applications are invited for the position of SENIOR ASSISTANT (REVENUE) in the accounts department of the Western Sub-area of the Board based on Tenby.

The salary for the position will be in accordance with Grade IV (£510/£570) of the National Joint Council (Administrative and Clerical Grades) for the Electricity Supply Industry.

Applications, stating age, present position, present salary, qualifications and experience, and whether married or single, together with the names and addresses of three referees, should be addressed to the Secretary (Establishments Section), The South Wales Electricity Board, St Mellons, near Cardiff, so as to reach him not later than February 24th, 1951.

D. G. DODDS,
Secretary.

THE LAW SOCIETY invites applications for posts of ASSISTANT ACCOUNTANT and AUDIT CLERK in their accountancy department:

(1) ASSISTANT ACCOUNTANT – Chartered or Incorporated, not over 30 – for investigations and internal audit. Initial salary £600 p.a. or according to experience. Superannuation scheme.

(2) AUDIT CLERK – not over 30 – for same work. Initial salary £350 p.a. or according to experience. Superannuation scheme.

Both posts involve travel to provinces. – Apply to The Secretary, The Law Society's Hall, Chancery Lane, WC2.

North Western Gas Board

Kendal Group

CHIEF ACCOUNTANCY ASSISTANT

Applications are invited for the above appointment at Kendal.

The salary will be within Grade 8 (Provincial 'B') of the National Salary Scales, viz.: £475 – £20 – £555 per annum, the commencing salary depending upon the qualifications and experience of the successful candidate.

The person appointed will be responsible for the supervision of the staff of the department and should have a sound knowledge of accountancy including consumers' accounts and cost and stores accounting, preferably in a public utility undertaking.

Applications furnishing details of age, qualifications and experience together with the names and addresses of two persons to whom reference may be made should be forwarded to the Group General Manager, Kendal Group, North Western Gas Board, Gas Works, Parkside Road, Kendal, within fourteen days of the publication of this advertisement.

Lancaster Group

STORES AND COST CLERK

Applications are invited for the above appointment in the Accountancy Headquarters, Lancaster.

The salary will be within Grade 5 (Provincial 'A') of the National Salary Scales, viz.: £385 – £20 – £465 per annum, the commencing salary depending upon the qualifications and experience of the successful candidate.

The person appointed will be responsible for the proper supervision and control of stores and stores records, and allied costing duties for the undertakings in the group.

Applications furnishing details of age, qualifications and experience, together with the names and addresses of two persons to whom reference may be made should be forwarded to the Group General Manager, North Western Gas Board, Lancaster Group, Gas Works, Lancaster, within fourteen days of the publication of this advertisement.

Furness, Kendal and Lancaster Groups

CHIEF ACCOUNTANCY ASSISTANT

Applications are invited for the above appointment in the Accountancy Headquarters, Lancaster.

The salary will be within Grade 10 (Provincial 'A') of the National Salary Scales, viz.: £570 – £25 – £670 per annum, the commencing salary depending upon the qualifications and experience of the successful candidate.

Applicants should have a sound knowledge of accountancy and costing principles and preferably experience of the accounts of a gas undertaking. The possession of an accountancy qualification will be an additional advantage.

Applications furnishing details of age, qualifications and experience, together with the names and addresses of two persons to whom reference may be made should be forwarded to the Group Accountant, North Western Gas Board, Furness, Kendal and Lancaster Groups, Gas Showroom, Market Square, Lancaster, within fourteen days of the publication of this advertisement.

The above appointments are subject to the conditions of service in the gas industry agreed from time to time by the National Joint Council for Gas Staffs, and the successful applicants may be required to pass a medical examination and to subscribe to such scheme of superannuation as the Board may adopt.

The Accountant

ESTABLISHED 1874

FEBRUARY 24TH 1951 VOL. CXXIV NO. 3975

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COMPANY STATISTICS

THE information, financial and otherwise, given in the published reports and accounts of American companies, is remarkably comprehensive. This is partly due to the efforts of the American Institute of Accountants who, a number of years ago, first of all persuaded the New York Stock Exchange to call for more detailed disclosures by companies listed on the exchange and, later, co-operated with the newly-set-up, nation-wide Securities and Exchange Commission in devising the present rules and regulations governing both the information to be given in prospectuses of new companies, and the annual particulars to be filed with the Commission by existing companies whose stocks were quoted on any national securities exchange. The latter had to supply, among other things, a profit and loss statement giving details of turnover and cost of goods sold, an analysis of the surplus distinguishing between capital and revenue profits, full particulars of the depreciation charged, and a division of stocks as between raw materials, work in progress and finished goods.

After an initial show of reluctance, American companies conformed amicably to these regulations and quickly realizing the propaganda value implicit in such disclosures, now offer to their shareholders and to the public a wealth of gratuitous financial and other information in addition to that required by law. This may include the quantity value of sales and the company's earnings on sales, on total share capital, and on each ordinary share. Detailed statements may be given of capital expenditure, working capital, depreciation, taxation, and of profits employed in the business, as well as a reconciliation of the opening and closing cash position. Other statistics, such as the average number of employees, the average number of hours worked, and the average hourly earnings, are often appended. The scope of this comprehensive review may cover, in point of time, a cycle of the past ten years' trading, may be presented with the aid of numerous charts, diagrams, graphs and maps, and may be accompanied by photographs ranging in subject from an aerial view of the complete plant to a close-up of the president.

In contrast to these bountiful American methods, the reports and accounts of public companies in this country have hitherto been conservative to the point of secrecy. In most cases, the minimum legal requirements of information to be disclosed has also been regarded as the maximum. There are welcome signs, however, that this traditional reticence is on the decline. Some progressive companies are now voluntarily supplementing their audited accounts with most useful statistics of their activities. While this practice is as yet by no means general, it is with the

commendable endeavour to 'crystalize the experience which is at present available' that the Council of The Institute of Chartered Accountants in England and Wales has just issued a pamphlet on 'the compilation and presentation of accounting information issued by way of a supplement to, but not as part of, the audited accounts'.

The pamphlet deals mainly with the growing custom of showing how the gross income for the trading period under review has been absorbed. It defines gross income as the proceeds of sales and of charges for services, together with other revenue of the business. The term 'business' means the business of the company concerned, or in the case of a group, of the group as a whole. Sales, or charges for services, between subsidiaries or branches, it is suggested, should normally be eliminated as should also non-recurring income and capital receipts, leaving the gross proceeds of the year's trading with outside concerns. This total may be broken down in a number of ways. One of the usual methods is to analyse it among the various items of expenditure, such as materials, wages, overhead expenses, taxation and dividends, showing finally the balance retained. This is simply an elaboration of the statutory trading and profit and loss account which does not normally give all this information. Another method is to apportion the gross income among the various classes of participants. This may involve a reallocation of such expenditure as wages and salaries which may have been partly dispersed under other headings. The Council suggests that an analysis of gross income appropriate to a manufacturing business might be – suppliers of goods and services; indirect taxation, such as excise duty and purchase tax; employees' remuneration and benefits; depreciation; amounts retained in the business; direct taxation; and gross distributions to investors. In practice however, a further distinction is often made, where material, in the third of these, between the total of wages and salaries and that for pensions and contributions to pension funds. Variations in the straightforward presentation of these headings are the deduction of the amount paid to suppliers of goods and services from the gross income before showing the absorption of the balance, and a similar elimination of the total of indirect taxation where the amount involved is considerable (distilleries and breweries are depressing examples) and the company acts merely as a collecting agent for the Government.

The statistics are usually presented in simple tabular form but the figures therein may be stated in a number of different ways. One method is to show the actual amount absorbed under each heading, totalling to the actual amount of gross income. A practical example of this is to be found in the report of Imperial Chemical Industries Ltd for 1949. A second method is to show each heading as a proportion (in shillings and pence) of £1 of gross income. A third is to state against each head the percentage of gross income it represents. Babcock & Wilcox Ltd, for instance, in their report for 1949, use both the second and the third methods but, unfortunately, do not give the corresponding figures for the previous year.

The pamphlet also contains some notes on the presentation of statistics relating to the capital employed in a business. This information may be compiled in order to show the total capital employed; the shareholders' financial interest; profits in relation to capital employed; or dividends in relation to capital employed as distinct from issued capital. In computing the appropriate amount, any departure from balance sheet figures (for example, a revaluation of fixed assets or the omission of a subsidiary) should be clearly indicated. Also, it should be stated how the rights of preference shareholders and, in the case of a group, minority interests, have been dealt with. In preparing statistics of either profits or dividends in relation to capital employed, care should always be taken to compare like with like.

The worth of this information is admirably demonstrated by the statement of comparative results for the past nine years included in the report of the Dunlop Rubber Co Ltd for the year 1949. It shows that while the gross rate of dividend for the year paid on the issued ordinary share capital was 15 per cent, the equivalent rate on ordinary shareholders' capital employed was only 4·5 per cent, which reflects, as SIR CLIVE BAILLIEU, the chairman, pointed out, the very large capital nowadays required to finance an ever-growing business and the continued fall in the value of money.

It is to be hoped that the Council of the Institute will venture further into this fascinating field of company statistics.

ADVICE ON THE BUDGET

COMING Budgets cast their shadows before, and never more than now when jaded taxpayers nervously await the new shocks which rearmament has made inevitable. Advice on the problem has been produced by the Association of British Chambers of Commerce in the form of a letter to the CHANCELLOR OF THE EXCHEQUER and to the CHAIRMAN OF THE BOARD OF INLAND REVENUE. The Association's general observations are similar to those which it made to the PRIME MINISTER in October of last year and which were the subject of a leading article in our issue of October 21st, 1950. Since then the provision for defence expenditure in 1951–52 has gone up considerably, with further increases for subsequent years. Of course, there cannot be a corresponding increase of consumer goods to absorb this expenditure; on the contrary the supply of them will fall.

The Association's recommendations in the field of taxation are directed mainly, however, to ways in which taxes can be reduced. The point is made that taxes which 'merely raid savings such as taxes on company reserves or additional taxes in the small number of higher income brackets, can have little effect in reducing consumption and can do positive harm'. Nevertheless, the Association suggests that the two higher rates of purchase tax be reduced. The Association adds that there may be a case for a 10 per cent tax on utility lines, and indeed it is a little startling that a man can buy a dozen tax-free suits if they conform with utility requirements but must pay a heavy tax on a single suit if it does not.

Profits tax, in the Association's view, should go. Failing that, several detailed improvements are suggested. All franked investment income, instead of merely a proportion, should be deducted in arriving at net relevant distributions. Fixed preference dividends should be allowable in the same way as debenture interest, a change which would still further emphasize the disadvantages suffered by director-controlled companies. On the other hand, full-time directors holding between 5 per cent and 20 per cent of the capital should qualify as working directors, while, as regards those who do not so qualify, it is suggested that the allowable remuneration should be increased to £2,500 per director or 15 per cent of the profit, with a maximum of £30,000, for the whole board. Certainly £2,500 is not much when split up among a team of directors, but on the other hand, references to £2,500 per director may grate somewhat on the ears of the trade unions, although of course the context is different.

Minor concessions are claimed for distributions on nationalization or merger, while it is suggested that balancing charges should not be made on assets given up on nationalization, with a corresponding reduction of tax allowances to the nationalized corporations, a course whose anti-inflationary effect is not immediately apparent.

For income-tax and sur-tax a number of improvements are suggested, including the right to spread balancing charges, to claim the 'cessation provisions' on the nationalization of part of a business, and to spread income where there is an overlapping due to nationalization. The Association advocates that payments by traders for restrictive covenants entered into by employees should be deductible in arriving at profit. However, with the present emphasis on increasing production, the CHANCELLOR is unlikely to encourage payments whose ostensible object is to sterilize a man's abilities.

For Schedule E the only concession requested is the allowance of travelling expenses to a person holding several appointments. It is suggested that more incentive would be provided by replacing the present reduced rates of income-tax by a sliding rate rising by eight stages of one shilling for each £25 of income. The cumulative principle, it is said, should be dropped from P.A.Y.E., with the corollary of no repayment until after the end of the year. It is proposed that post-war credit should always be paid on the death of the person entitled to it, whatever the age of his heirs.

We fear, however, there is little prospect of any reduction in either direct or indirect taxation. It is difficult to see any alternative to the familiar pattern of heavier taxes on luxuries and non-essentials, accompanied by physical controls of the essentials.

THE 'TRAVELLING' LEDGER

by R. S. FINLAYSON, C.A.

THIS book-keeping device may not be new, but is worthy of explanation as it substantially reduces and simplifies the work involved in maintaining inter-office current accounts. The normal procedure for dealing with these accounts is for each office to maintain in its own ledger a current account in the name of the other office. Entries in these accounts are made through the medium of debit and credit notes. This involves six operations for each transaction: (1) preparation of debit or credit note; (2) entry in cash-book or journal of originating office; (3) posting to receiving office current account in originating office ledger; (4) entry in journal of receiving office; (5) posting to originating office current account in the receiving office ledger; (6) posting to other appropriate accounts in the receiving office ledger. The two current accounts, of course, have to be reconciled before each balancing date.

A 'travelling' ledger combines the functions of the current accounts, the debit or credit notes, and the receiving office journal. This reduces the operations to three in number: (1) entry in cash-book or journal of originating office; (2) posting to 'travelling' ledger. The ledger is then sent to the receiving office, where (3) posting is made to the appropriate account in the receiving office ledger.

In its simplest form, the 'travelling' ledger contains only two money columns and two 'posting' columns:

Date	Account	Details	Head office folio	Branch office folio	Branch debit; Head office credit	Branch credit; Head office debit
(*a*)	(*b*)	(*c*)	(*d*)	(*e*)	(*f*)	(*g*)

For example, when head office makes a cash disbursement on account of the branch, its cash-book entry would be posted to the 'travelling' ledger by entering columns (*a*), (*c*), (*d*), and (*f*). The ledger is sent to the branch where the entry is completed by inserting:

Column (*b*) name of appropriate account,
,, (*e*) ledger folio (when the amount is posted).

The ledger is then used by the branch office for entries relating to head office. The branch completes columns (*a*), (*c*), (*e*), and (*f*) or (*g*), and sends back the ledger to head office.

The balance in the 'travelling' ledger represents the balance of the inter-office current accounts, and will be taken into account both in the head office and branch trial balances. No reconciliation is involved.

In practice, it will be found convenient to have two volumes, one for alternate days so that there is always one volume at each office; and if the ledger is transmitted between offices by post, a loose-leaf system is the obvious choice.

Where there are many transactions the saving in work and time is substantial, and the arrangement is readily adaptable to suit particular circumstances.

For instance, any system involving the use of debit and credit notes as the channel for entries between offices or departments, can be converted to the 'travelling' ledger principle if the notes are prepared in duplicate (the original for dispatch and a carbon copy for the issuing office) and provision is made for posting folios:

DEBIT NOTE No.................... *Date*....................

Account	Details	Head office Folio	Branch office folio	£ s d
(*a*)	(*b*)	(*c*)	(*d*)	(*e*)

In the issuing office the debit and credit notes are treated as a ledger account, and entries are posted from the book of original entry to columns (*b*), (*c*), and (*e*). At the receiving office the debit and credit notes are used as a journal and the entries posted to the appropriate ledger account by completing columns (*a*) and (*d*). The original notes received and the carbon copies of those issued must be suitably filed at each office and totalled (a listing/adding machine is useful for this purpose) thus forming the inter-office current accounts.

An arrangement on these lines is useful when the offices are too far apart for the daily exchange of a 'travelling' ledger; also the duplicate records provide a safeguard against loss of entries in transit.

LOSS OF PROFITS INSURANCE–II

by ERNEST A. SUCH

Sum Insured

IN all profits policies where compensation is desired for any period up to twelve months, the sum insured should represent the annual gross profit and in those cases where compensation is desired for a longer period, the sum insured should represent the gross profit for the period chosen, i.e. eighteen months – one and a half times the annual gross profit; twenty-four months – twice the annual gross profit. The scale of rating is based on the varying periods. For a seasonal business it is most desirable to have twelve, twenty-four or thirty-six months' indemnity period. This is very evident in the case of a seaside hotel which operates during the months of April to September. If fire should occur at the end of a season and affect the business during the following two seasons an eighteen months' indemnity would indemnify for *one season only*, because the indemnity period would expire before the commencement of the second season. On the other hand, should a fire occur at the commencement of a season, and interrupt the business for eighteen months, the period of interruption would include two seasons during which twice the annual gross profit would normally be earned and consequently an insurance of one and a half times the annual earnings would be insufficient to provide full and complete indemnity.

A most important point to remember when deciding upon the sum to be insured is that whilst the past year's results are usually taken as a guide, compensation under a profits policy commences from the date of the damage which might not occur until near the end of the insurance year twelve months hence. Accordingly, in the event of an increasing business, it is very necessary to estimate the earnings of the business for the period selected commencing twelve months hence if complete protection is to be assured.

Refund of Premium

To encourage firms to provide a margin in their sums insured to allow for any possible increase in the earnings of the business without having to pay unnecessary premiums, a 'rebate of premium' clause can be inserted in the policy under which a *pro rata* return of premium (not exceeding 50 per cent of the premium paid) would be allowed if the earnings of the business in the equivalent twelve months were less than the sum insured.

This is a most generous margin and with this clause there is no reason why any firm should be under-insured, ensuring as it does that premium is refunded on that part of the sum insured which is *not* earned – subject to the 50 per cent limit previously mentioned.

We have now completed our review of a modern profits policy and noted how it operates in the case of a simple example without any frills.

Adjustments for trend, variation, special circumstances, etc., have been purposely avoided in our calculation of the amount payable for loss merely for the sake of simplicity. You have in your possession, however, a hypothetical loss example which brings into operation the full machinery contained in the policy wording, showing the effect of non-insurance of certain standing charges, savings in insured standing charges and the application of average in respect of under-insurance. You may wish to study this example at your leisure together with the notes entitled 'How to arrive at the sum to be insured'.

'Away' Risks

My talk would not be complete if I did not make reference to the serious financial loss many firms would suffer in the event of interruption of, or interference with, their business arising from damage to premises not in their own occupation. For example, damage to the premises of the suppliers of certain raw materials might hold up production for a considerable time, or damage in the electric power station supplying power to an insured might cause a complete stoppage of production until such time as alternative power could be obtained.

A profits policy can be extended to cover the loss of gross profit sustained arising out of damage at those 'away' risks which can include important customers' premises, if desired, at a suitable additional premium.

Auditors' Fees

It is a condition of a profits policy that the insured shall, at his own expense, deliver to the company, in writing, a statement setting forth particulars of his claim and the tendency these days is for the insured to seek assistance from his accountants. This extra labour, however, has to be paid for, and the fees charged by the insured's auditors may be covered by a separate item in the schedule, thus

Item II. On auditors' fees £500

In this connexion it must be remembered that the normal fees of an auditor for auditing the firm's books annually is a normal standing charge included in the amount of gross profit insured and this additional item is intended to cover the reasonable fees for services rendered in connexion with the claim.

Rents Receivable

'Rents receivable' is another item which may be insured by a separate item. Although rents can be covered under a material damage fire policy the

The second and final part of a lecture delivered to members of the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants on January 26th, 1951.

profits protection is frequently desired in view of its wider scope. Under a fire policy, indemnity is payable during the time the premises are rendered uninhabitable. In other words, directly the damage has been reinstated, the fire policy ceases to pay, whereas under a profits policy, indemnity is payable for the whole time during which the premises remain untenanted, in consequence of the damage, within the indemnity period which may, of course, be a considerable time after reinstatement has been completed.

Insurance of wages is also finding its way into most of the present-day policies. The reason is that the labour question is still a very difficult one and experience in connexion with loss settlements during the past few years has shown that manufacturers are most reluctant to part with any of their employees. Various methods of insuring wages have been devised, which are summarised as follows:

(1) Insurance for the full indemnity period of wages: (*a*) to all employees; (*b*) to employees in specified categories, such as foremen, overlookers, charge hands, etc.; or (*c*) to the extent of .... per cent of the total wage roll. (This may be expressed as an amount.)

(2) Insurance, for a shorter indemnity period, of wages not insured under (*a*), (*b*) or (*c*) of (1) above, the sum insured representing the annual amount of such wages.

(3) Insurance for indemnity periods up to thirteen weeks, the sum insured, in this case, representing the wages for the indemnity period chosen.

I have endeavoured to cover the subject of profits insurance as simply as possible, and feel certain you will agree with me that the subject is essentially one for accountants.

Mr B. H. Binder, when President of The Institute of Chartered Accountants in England and Wales, once said at a meeting held in Liverpool—

> 'Accountants today have to act as guide, philosopher and friend to their clients if they are to fulfil their proper role', and added 'that in these complicated days they could no longer act solely as auditors.'

Conditions in the commercial world are certainly not any easier – indeed you will probably agree that they are getting still more complicated – and it is therefore with a measure of trepidation I suggest that you should consider whether in not seriously drawing the attention of your clients to this form of protection you are losing the opportunity of being of still greater service to your clients. You would naturally be very disturbed if your clients did not carry fire insurance. Is not profits protection equally essential, ensuring as it does the continuance of income during the period of interruption following damage by an insured peril?

Profits Insurance: How to Arrive at Sum to be Insured

I *Assume an annual turnover of £500,000 out of which standing and other charges are met as follows*	£	*Percentage to turnover*	II *Assume a fire causes a reduction in turnover of £250,000 with effect on standing and other charges as follows* £	*Percentage to reduced turnover*
Purchases	250,000	50	125,000	50
*Wages of skilled employees	10,000	2	10,000	4
,, non-skilled employees	40,000	8	20,000	8
*Salaries of managers and staff	50,000	10	50,000	20
Commissions	2,500	·50	1,250	·50
*Directors' fees	5,000	1	5,000	2
*Interest on debentures, mortgages, loans, etc.	45,000	9	45,000	18
†*Rates	5,000	1	4,000	1·60
†*Insurance premiums	2,500	·50	2,000	·80
*Advertising	15,000	3	15,000	6
†*Travelling expenses	5,000	1	4,000	1·60
*Audit fees	250	·05	250	·10
†*Postage, telephone	2,750	·55	2,000	·80
†*Stationery	2,500	·50	2,000	·80
Wrappings, etc.	2,000	·40	1,000	·40
†*Light, heat and power	10,000	2	7,500	3
Repairs and renewals	5,000	1	2,500	1
Cleaners	1,000	·20	500	·20
†*Motor vans – maintenance and depreciation	5,000	1	3,500	1·40
†*National insurance contributions	1,000	·20	750	·30
	459,500	91·90	301,250	120·50
Leaving Net profit of	40,500	8·10		
Net loss			*51,250*	
	£500,000		£250,000	

Those items which are reduced in proportion to the reduction in turnover need not be insured, since the actual amount of the charges after the fire bears the same ratio to the reduced turnover as the original amount did to the full turnover. It is necessary, however, to insure all those items marked * which are not reduced proportionately to turnover.

The charges to be insured in this case are, therefore:

	£
Wages of skilled employees	10,000
Salaries	50,000
Directors' fees	5,000
Interest on debentures, etc.	45,000
Rates	5,000
Insurance premiums	2,500
Advertising	15,000
Travelling expenses	5,000
Audit fees	250
Postage etc.	2,750
Stationery	2,500
Light, heat and power	10,000
Motor vans – maintenance and depreciation	5,000
National insurance contributions	1,000
Totalling	159,000
Add Net profit	40,500
	£199,500

The sum insured thus arrived at is £199,500 and provided this figure were sufficient to cover the anticipated gross profit for the ensuing twelve months, having regard to the trend of the business, the loss would be ascertained as follows:

	£	
1. The rate of gross profit earned on the turnover during the financial year preceding the damage (subject to adjustment for trend etc.) =	$\frac{199{,}500}{500{,}000}$	=39·9 per cent
2. Shortage in turnover =	250,000	
3. Standing charges not insured	nil	
4. Saving in insured standing charges marked † (see proviso following clause (*B*) of policy) =	8,000	
39·9 per cent of £250,000 =	99,750	
Less Saving in insured standing charges in consequence of the damage during the indemnity period	8,000	*Average*
	91,750	The sum insured not being less than the sum produced by applying the rate of gross profit to the annual turnover, the amount of £91,759 is payable in full.
The insured received from trading	250,000	
Total receipts	341,750	
Standing and other costs incurred	301,250	
Balance	£40,500	

which provides the same net profit as before.

Consequential Loss Insurance

Example of loss settlement under the terms of the tariff 'standard' policy form and 'recommended' specification wording:

Sum insured: £50,000 *Indemnity period:* 12 months

The business is affected by fire (termed 'damage' in the policy) from March 1st to December 31st and the adjustment of the loss of 'gross profit' sustained thereby proceeds as follows

The insured's accountants certify the following information from the insured's books (the accountants' fees for these services may be insured under a separate item of the policy):

1. (*a*) The 'gross profit' for the financial year immediately preceding the fire was	£45,000
(*b*) The 'turnover' for the same period was	£180,000
(*c*) The rate of 'gross profit' was	25 per cent
(*d*) The turnover for the period from March 1st to December 31st in the twelve months before the fire (i.e. the 'standard turnover') was	£140,000

In consequence of a substantial increase in trade and of a rise in prices before and at the time of the fire, it is mutually agreed by the insured and the company that the following adjustment shall be made to bring the pre-fire figures up to what could reasonably have been expected during the indemnity period if the fire had not occurred (as stipulated in the adjustments clause in the policy):

Turnover for twelve months preceding the fire		*Agreed increase of 10 per cent*	*Adjusted figures*
	£	£	£
March to December	140,000	14,000	154,000
January to February	40,000	4,000	44,000
Annual turnover	£180,000	£18,000	£198,000
Gross profit of last financial year	£45,000	—	£55,440
Rate of gross profit	25 per cent.	—	28 per cent

Standard Turnover		*Actual turnover during indemnity period*	*Shortage in turnover*
March to December in preceding twelve months plus agreed increase of 10 per cent	£154,000	£85,000	£69,000

2. Increased cost of working necessarily incurred to avoid or minimize the shortage in turnover that would otherwise have occurred during the indemnity period in consequence of the damage £6,500
3. Certain standing charges not insured amounting to £1,550
4. Saving in insured standing charges in consequence of the fire during the indemnity period £2,000

FORMULA LAID DOWN IN POLICY FOR STATEMENT OF CLAIM

	£	s	d
1. Clause (*a*) Loss through reduction in turnover, viz. 28 per cent of £69,000	19,320	0	0
(*b*) Loss incurred through increase in cost of working, viz. £6,500. Proportion payable in accordance with Memo. 2 of the policy:			
$\dfrac{\text{Net profit and insured standing charges £55,440}}{\text{Net profit and all standing charges £56,990}} \times \text{£6,500}$	6,323	4	3
(This expenditure not being in excess of the sum produced by applying the rate of gross profit to the reduction in turnover thereby avoided.)	25,643	4	3
2. Less saving in insured standing charges in consequence of the fire during the indemnity period	2,000	0	0
	£23,643	4	3

3. *Average.*—The sum insured, viz. £50,000, being less than the adjusted 'gross profit' for the year, viz. £55,440, the insured bears a proportionate part of the loss sustained and the amount payable under the policy is therefore:

$$\frac{\text{Sum insured £50,000}}{\text{Gross profit after adjustment £55,440}} \text{ of £23,643 4s. 3d.}$$

Amount of claim £21,323 4 10

Note.—Had the rate of gross profit remained at 25 per cent the amount would have been £21,552 12*s* 11*d*.

If the business had shown a falling off in trade before and at the time of the fire and it was mutually agreed that such falling off would have continued had the fire not occurred, then the necessary adjustment would be made to bring the pre-fire figures (both in respect of 'turnover' and 'rate of gross profit') down to what could reasonably have been expected during the indemnity period had the fire not occurred. The sum insured would doubtless be found in these circumstances to represent a full insurance and, if so, 'average' would not of course be operative.

(*Concluded.*)

WEEKLY NOTES

Two Institute Publications

The Council of The Institute of Chartered Accountants in England and Wales has just issued two interesting pamphlets. One of them, 'Notes on statistics relating to income of and capital employed by companies', is the subject of a leading article on another page. In our next issue we hope to reproduce in full the other, which is entitled 'The Town and Country Planning Act, 1947 – Notes on the accounting implications of the Act'.

Hitherto, publications by the Institute have been either recommendations on accounting principles in the name of and carrying the authority of the Council, or notes or reports in the name of the Taxation and Research Committee and not necessarily expressing the views of the Council. The two pamphlets now issued are in the name of the Council but both documents are in the form of notes and not of recommendations.

The Council has distributed both pamphlets to all members of the Institute. A limited number of additional copies has been printed and will be supplied without charge to students or other persons interested, on application to the offices of the Institute, Moorgate Place, London, EC2.

Canning and Costing

The productivity team representing the Meat Packaging and Processing industry which visited the United States last year under the auspices of the Anglo-American Council on Productivity has just issued its report. Although it deals mainly with the production methods of the industry, the third largest in America, the report contains some interesting observations on administration. The team considered that while the costing technique in American factories was not to be regarded as superior to the best British practice, the importance of a sound costing system as a necessary aid to efficient management and high productivity was more widely recognized in that country. Cost control, the team noted, was constructively applied, particular attention being paid to (*a*) daily or at least weekly comparisons of yields and labour costs with standards; (*b*) the 'break-even' points, or the volume of production at which all fixed overheads are absorbed; and (*c*) reconciliation of daily and weekly costs and profit estimates with periodical financial accounts.

As in other industries in the United States, keenly competitive conditions have raised cost control systems to a high pitch of efficiency. The team was impressed by the liaison which existed between the factory and the cost department. The ability of costing personnel to appreciate production methods and techniques was reflected both in the lucidity of the information produced and by the ease with which it could be interpreted by the factory management down to foreman level.

The report, which costs 4*s*, is published by the Anglo-American Council on Productivity, 21 Tothill Street, London, SW1.

Coal Outlook for 1951

Lord Hyndley, chairman of the National Coal Board, reviewed the coal outlook for 1951 in London last week. It is clear from his remarks that the industry is exceedingly wary at the moment about forecasting any particular level of production for this year. Lord Hyndley gave no targets in his address.

One bright feature at the moment was, however, the improved level of recruiting. The intake into the industry was always good at this time of the year, but at the moment it was better than at this time last year. It was also possible that the industry would soon be reaping the full benefits of the recent increase in wages. It was not possible to foresee, Lord Hyndley went on, how long this improvement in man-power would be maintained. The demands of rearmament on the economy as a whole would put a strain on resources of labour which might affect the coal industry. If this should happen, coal output might be lower this year than in 1950.

It was not likely, said the chairman, that the industry would do more than make ends meet this year. They had hoped at one time that there would be a large enough surplus at the end of 1950 to offset the remainder of the deficit accumulated just after the war. But the level of exports had fallen and the cost of materials and the wages bill had both gone up. The current year had therefore begun with the residue of the deficit still outstanding and revenue increases due to higher prices this year would be offset at least in part by a probable continued rise in costs.

Steel is Taken Over

On Thursday, February 15th, the steel industry became the property of the State. The take-over was both undramatic and inauspicious. It was not to be expected that the Corporation which now becomes responsible for the nationalized section of the industry would wish to mark the inception of its responsibilities with a fanfare of publicity, for its members have clearly much to learn and much in the way of policy to work out before they can offer a clear indication of what will be their attitude to the basic problems of the industry over the next decade.

Mr Hardie, the chairman of the new Corporation, however, courageously faced a Press conference last week. He could not be expected to say very much since the Corporation has not yet had time to put its house in order. In these circumstances it is difficult to see what he could have said beyond the points he made. He was bound to say that all in the industry should now co-operate and let bygones be bygones. This remark was equally bound to fall on deaf ears since top management in the industry still hopes for

a reversal of the Steel Act after the next General Election, and also because the growing gap between the views of the Corporation and the Iron and Steel Federation on the authority of the Corporation within the councils of the Federation is now public knowledge. Outside the very controversial issues on steel nationalization his remarks about the need for long-term plans for fuel must have brought wry smiles to the other large nationalized industry which is dependent on coal, gas and electricity. From every point of view there is more danger for the prospects of an efficient steel industry in the circumstances which are likely to develop over the next decade than over the next fifty years, and the Corporation will do itself no good in the eyes of the public if it attempts in its public statements to overlook that fact. The long-term issues are certainly important. The short-term ones are crucial.

Britain's Surplus with E.P.U.

The sustained demand for those raw materials which the sterling area produces is having its effect on the state of this country's balance with the European Payments Union. This country's figures include the sterling balances of the sterling area. In January Britain was the largest E.P.U. creditor with a surplus of £17·6 million. Of this total, countries met their sterling commitments by drawing £6 million on sterling balances held at June 1950. Of the balance, this country took half in gold and the other half was added to its balance with E.P.U. – the cumulative balance held by Britain on behalf of the sterling area now totalling just over £94 million.

The second largest creditor in January was France, while among the debtors, which included Holland and Greece, Germany was by far the largest recipient.

The State and Shipping Freights

The United Kingdom Chamber of Shipping has issued its report this year against a background of exceedingly firm freight rates and a shortage of tonnage. A good deal of this scarcity is attributable to the continued shipping of supplies to Korea, but the Chamber also has much to say about the strain put upon the shipping industry towards the end of 1950 by various Government departments calling at the same time for priorities of shipping space.

The report for 1950 by the Chamber of Shipping is in fact couched in extremely strong terms as a criticism of bulk purchase. It has a great deal to say about the impossibility of the industry accepting the various priorities requested by departments at very short notice without seriously disturbing freight rates. It is equally critical of the Government's announcing an imminent coal import programme and at the same time admitting that tonnage will be difficult to charter.

On taxation, the Chamber makes its customary plea for special relief from a part of the burden of taxation. This year it can add to its arguments the clear need to build up the merchant fleet as a security measure for preserving the country's vital lines of communication in war.

More Advice for the Chancellor

This is the open season for addressing memoranda to the Chancellor of the Exchequer on the Budget. The latest document of this sort to be published comes from the Association of British Chambers of Commerce. Good advice as it is in many respects, it suffers from the same disability as do all such memoranda, namely, of asking the Chancellor to make fiscal innovations which are patently impossible for political reasons.

In its analysis of the present economic state of the nation, the Association comes to the same conclusions as the Government. When it comes to meeting the rearmament bill out of current consumption, however, the Association takes a different view on making economies – putting Government expenditure on civil items much higher on the list for the axe than the Government will obviously be prepared to do.

The Association's memorandum is examined in a leading article elsewhere in this issue.

Wider Trade Gap

To judge from the external trade returns for January, provisional figures for which were released last week, the process of restocking this country's reserves of food and raw materials may have already begun. How far this may have been merely the normal restocking after a period in which reserves had been allowed to run off to an uncomfortably low level, and how far it is the beginning of serious strategic stockpiling by this country, is difficult to say as yet. It is indeed only possible to indulge in guesswork from the provisional figures as to how far the leap in January's import total was due to larger quantities coming into this country and how far to higher prices. A note in these columns three weeks ago pointed out the steep rise in import prices over the last year or so.

There is little doubt that the rise in the cost of imports is going on unabated, and to that extent restocking is going to be a costly business which will continue to make its presence felt on the value of imports from month to month. Under these circumstances, it is quite clear that this country is accepting a sufficiently exacting target if it tries to balance its international account this year. The fact that this is to be the target for 1951 was reiterated by the Chancellor of the Exchequer in a closely argued and valuable contribution to the debate on defence in the House of Commons last week.

The January figures were provisionally as follows. Imports were £298·4 million compared with £239·3 million in December. Exports, including re-exports, were £223·0 million compared with £196·1 million. In consequence, the visible export balance showed a deficit of £75·4 million against £43·2 million in the previous month.

FINANCE AND COMMERCE

Stock markets have overcome the obstacle of the British Iron and Steel stock issue, the only casualty being the gilt-edged section. Rubber shares have now taken over the lead as the main feature of markets, operators being attracted to the shares by a number of good dividend and profit statements. Business generally is well maintained.

J. Samuel White

We reprint this week the accounts of J. Samuel White & Co Ltd, shipbuilders and engineers of Cowes, I.O.W. It is a leading company in its sphere with an international reputation. Recent production has included a refrigerator vessel for Argentine owners, the Battle Class destroyer, H.M.S. *Dainty*, and another lifeboat for the R.N.L.I. which will probably be exhibited at the Festival of Britain.

The company incurred some Press criticism for what was alleged to be a misleading preliminary profit statement issued some time before the accounts. The preliminary statement, it was said, gave profits of £62,237 against £31,243 whereas in fact, as the accounts later showed, £48,000 of the £62,237 was derived from 'credit relating to earlier years'. These figures will be seen in the reprinted consolidated profit and loss account.

If such was the case, then those responsible must face the criticism. We should hesitate to endorse this criticism, however, without knowing all the circumstances. Did the company, in fact, issue figures in this manner or were the figures given in the Press merely an extract, from a longer and more precise statement, which garbled the original? Pos-

J. SAMUEL WHITE & COMPANY LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY THE ISLAND TRANSPORT COMPANY LIMITED

Consolidated Balance Sheet as at September 30th, 1950

As at September 30th, 1949 £	Depreciation Provision £	Valuation or Cost £		Valuation or Cost £	Depreciation Provision £	£
			Fixed Assets:			
			Freehold and Long Leasehold Land, Berths, Quays and Buildings:			
23,494	88,101	111,595	As valued in 1937	111,595	88,571	23,024
228,274	37,425	265,699	At Cost	265,701	40,112	225,589
			Plant, Machinery and Works Equipment:			
6,343	146,233	152,576	As valued in 1937	152,326	146,625	5,701
83,283	136,989	220,272	At Cost	220,904	146,528	74,376
			Barges, Launches and Motor Vehicles:			
2,238	22,991	25,229	At Cost	25,997	24,250	1,747
			Office Furniture and Equipment:			
883	4,622	5,505	As Valued in 1937	5,506	4,705	801
3,280	4,350	7,630	At Cost	7,788	4,704	3,084
£347,795	£440,711	£788,506		£789,817	£455,495	£334,322
			Current Assets:			
		450,069	Work in Progress, Stocks in Trade and Loose Tools, as valued by the Companies' Officials, less Instalments earned on Work in Progress	551,002		
		356,109	Debtors and Payments in Advance	235,601		
		2,655	£3,000 3½ per cent War Loan Stock (Market Value £2,880)	2,655		
		—	Tax Reserve Certificates	50,000		
		314,285	Cash at Bank and in hand	279,071		
	1,123,118				1,118,329	
			Less Current Liabilities:			
		126,817	Instalments received in advance of Work in Progress	137,215		
		247,555	Creditors and Accrued Charges	163,936		
		122,576	Taxation	131,093		
			Dividends, less Tax:			
		2,310	Preference	2,310		
		11,550	Ordinary, subject to confirmation	11,550		
		510,808		446,104		
			Provisions:			
		82,963	Deferred Repairs	75,663		
	593,771				521,767	
529,347						596,562
£877,142						£930,884
			Interest of Members of J. Samuel White & Co Ltd:			
			Represented by			
			Share Capital, Authorized, Issued and Fully Paid:			
	140,000		140,000 6 per cent Cumulative Preference Shares of £1 each		140,000	
	280,000		1,120,000 Ordinary Shares of 5s each		280,000	
420,000						420,000
			Capital Reserves:			
	90,003		Excess Profits Tax Post-war Refund		90,003	
	11,000		Vessels Replacement		11,000	
101,003						101,003
			Revenue Reserves:			
	275,000		General		275,000	
	31,100		1951–52 Income Tax and Excess Profits Tax Contingencies		96,475	
	50,039		Profit and Loss Account		38,406	
356,139						409,881
£877,142						£930,884

Note: Capital Commitments amount to £35,000.

J. A. MILNE,
FRANK SHEARMAN } *Directors*

sibly, Mr G. W. Palferman, A.I.A.C., the company's secretary, would care to enlighten us. Pending such clarification, our feeling is that the error, for such it is, arose in the course of the publication, via the tape machines, of the figures supplied to the Stock Exchange.

Important Point

If our assumption is correct, a matter of the greatest importance arises in connexion with the publication of preliminary profit statements, which, as the chairman of the Stock Exchange pointed out last March in a letter to all companies whose shares are quoted, 'are almost as important as final accounts'. The Stock Exchange Council conferred with the 'Institute', the 'Society' and the Chartered Institute of Secretaries and in co-operation with these bodies, a specimen form was 'drawn up for the use of companies announcing their profits to their shareholders, the public and the Stock Exchange' – and the suggested form requires the separate statement of the extent to which profits have been materially affected by special credits, including transfers from reserves, and/or debits.

The system breaks down, however, if an abridged and therefore possibly misleading version of the information goes out on the tape machines. We suggest that it is the duty of the Stock Exchange Council, where it permits this dissemination of information supplied by companies, to vet, as the responsible body to which the figures have been entrusted, any abridged version derived from those figures for 'ticker' transmission to the world.

Accounting Change

Beyond this, there is a further contribution which company executives themselves can make to the cause of accuracy. This is to insert credits relating to previous years at the end of the profit and loss statement instead of at the beginning. We have urged this principle in connexion with the amount

J. SAMUEL WHITE & COMPANY LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY THE ISLAND TRANSPORT COMPANY LIMITED

Consolidated Profit and Loss Account, for year ended September 30th, 1950

Year ended September 30th, 1949 £	£		£	£	£
138,286		**Trading Profit** for the Year			121,361
—		Credit relating to earlier years			48,000
					169,361
		Less Directors' Remuneration:			
	2,325	Fees	1,950		
	13,041	Other Remuneration of Executive Directors	15,733	17,683	
		Provision for Depreciation:			
	5,721	Freehold and Long Leasehold Properties	3,157		
	11,619	Plant, Machinery and Works Equipment	10,309		
	866	Barges, Launches and Motor Vehicles	1,078		
	467	Office Furniture and Equipment	437	14,981	
	597	Audit Fees and Expenses		604	
34,636					33,268
103,650					136,093
	352	*Add* Property Income		83	
	527	Bank and Investment Interest		845	
	857	Tax Reserve Certificate Interest		—	
	57	Transfer Fees		41	
1,793					969
105,443					137,062
		Net Profit:			
		Less Taxation on the Profit included above:			
	36,050	Profits Tax		23,000	
	38,150	Income Tax		51,825	
74,200					74,825
31,243					62,237
42,666		*Add* Balances at September 30th, 1949			50,039
73,909					112,276
		Less Subsidiary Company:			
2,046		Balance of Profit and Loss Account			3,519
					108,757
—		*Less* Transfer to Excess Profits Tax Contingencies Reserve			50,000
71,863		**Balance** of J. Samuel White & Co Ltd:			58,757
		Less Dividends paid or proposed:			
		Preference for the year ended October 5th, 1950:			
	2,310	3 per cent *less* tax, paid April 5th, 1950	2,310		
	2,310	3 per cent *less* tax, paid October 5th, 1950	2,310	4,620	
		Ordinary for the year ended September 30th, 1950:			
	7,700	Interim: 5 per cent *less* tax, paid April 5th, 1950	7,700		
	11,550	Proposed Final: 7½ per cent *less* tax	11,550	19,250	
23,870					23,870
47,993		**Balance,** carried to Balance Sheet of J. Samuel White & Co Ltd			34,887
2,046		*Add* Balance of Subsidiary Company			3,519
£50,039		**Balance,** carried to Consolidated Balance Sheet			£38,406

brought forward from the previous year's profit and loss account, a figure which is merely another form of credit relating to previous years. Our intention has been to keep the figures of the year to the year, proceeding from the year's profit to the plus or minus figure after the appropriations which, added to or subtracted from, the amount brought forward makes the carry forward to the next accounts.

Had this been done in this case, the profit after taxation of £74,825 would have been £14,237, and no confusion would have occurred so far as the year's results were concerned. The positioning of credits relating to previous years at the top of the profit and loss statement goes back to the end of the 1920s when the accounts of the Dunlop company incorporated this feature. A celebrated law case some years previously had shown the danger that lay in non-disclosure of such amounts. There is no reason, however, why a change should not be considered. At least, it is worth discussion.

Money Market

Applications for Treasury bills on February 16th totalled £337,710,000. With its bid at £99 17*s* 5*d* the market obtained 69 per cent of requirements. The average rate worked out evenly at 10*s* 3*d* per cent. This week's offer is for £250,000,000 against last week's £260,000,000 and there is no call against Treasury deposit receipts.

REVIEWS

Income Tax Law and Practice (Twenty-second Edition) by Cecil A. Newport, F.A.C.C.A., and Oliver J. Shaw, Barrister-at-Law

(Sweet & Maxwell Ltd, London. £1 net)

Little needs to be said about this well-established text-book, popular as it is among both students and practitioners. The binding has been considerably improved this year, and as might be expected, the new edition deals succinctly with all the important developments since the last edition.

Modern Business Training and the Methods and Machinery of Business by John King Grebby (Seventeenth Edition by A. J. Bromwich, F.L.A.A.)

(Macdonald & Evans, London. 8*s* 6*d* net)

Although this standard work has been constantly revised since its first appearance in 1910, the kindly, personal touch of the original has been faithfully preserved and the seventeenth edition should continue to delight and instruct 'the junior with intelligence and ambition', a combination of qualities which some would have us believe are not found so often these days.

Canadian Secretarial Practice

(Sir Isaac Pitman & Sons (Canada) Ltd, Toronto. 30*s* net)

This handsome volume which has been produced for the Canadian branch of the Chartered Institute of Secretaries is based on the provisions of the Dominion Companies Act. Each province also has its own Companies Act, and the appropriate one should be consulted when applying the principles laid down by this new manual which, as far as a transatlantic eye can judge, deals fully with the wide variety of points on which the Canadian secretary is likely to require guidance.

SHORTER NOTICES

THE NEW PATENTS ACT, by Robert Lochner, M.B.E., A.M.I.E.E., Barrister-at-Law (National Union of Manufacturers, London, 2*s* 6*d* net). The Patents Act, 1949, which came into force on January 1st, 1950, altered the rights of manufacturers and inventors in a number of important respects. Mr Lochner explains the whole process of obtaining a patent under the new procedure and of the resulting rights and responsibilities. The booklet is well documented with references to the Act and to case law on the subject.

GENERAL COMMERCIAL AND FINANCIAL KNOWLEDGE FOR EXAMINEES, by E. Miles Taylor, F.C.A., F.S.A.A. (Textbooks Ltd, London, 12*s* 6*d* net). What is a garnishee order? What are 'hot' Treasury bills? What is barratry? the 'big board'? bottomry? The answers to these and countless other questions will be found in the well-ordered pages of this most readable text-book, which should intrigue not only examinees, but all interested in the City and its workings.

LOCAL RATES, by J. H. Burton, F.S.A.A., F.I.M.T.A., F.C.C.S., F.R.ECON.S., F.T.I.I. (Stevens & Sons Ltd, London, 4*s* net). The author's aim is to explain to the ordinary reader the complications of rating and valuation and to make clear the changes caused or to be caused by the Local Government Act of 1948. As a clear and concise guide to a difficult subject, this little volume – one of the 'This is the Law' series – cannot be too highly rated.

THE STUDY OF PRICES AND THE VALUE OF MONEY, by Professor E. Victor Morgan (George Philip & Son Ltd, for the Historical Association, 2*s* 6*d* net). This essay, one of the 'Helps for Students of History' series, outlines the problems confronting the economist who attempts to compile a historical price index and describes the investigations in that field now proceeding under the directorship of Lord Beveridge. As a matter of contemporary economic interest, the reader may well consider this paper-covered pamphlet of 28 pages, full of interest though somewhat highly priced.

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Depreciation and Replacement

SIR, – I imagine there would be widespread agreement with the proposition that the demand for accounting on a replacement basis is the direct consequence of continued inflation. It is important, therefore, to consider the basic implication of inflation and to inquire if it permits capital to be kept intact on a nation-wide basis.

In essence, inflation represents a writing-down by the State of capital in private hands and the transfer of the proceeds to the State to meet expenditures already made.

Replacement accounting, however, represents the view that companies ought not to permit a diminution in the real value of assets, and to avoid this should charge or appropriate profits to offset such diminution.

On a nation-wide scale this is possible only if the extra amount is offset by a corresponding decline in profits available for distribution. In fact – as increasing profits illustrate – prices bear most of the burden. The outcome is increased inflation and a vicious cycle of increasing charges or appropriations.

The moral appears to be clear: replacement basis in practice aggravates the condition it is designed to cure; the price level should be given a chance to regain long-term equilibrium, and if replacement value is used the national interest requires that profit should bear most of the burden. I refrain from comment on the unfortunate policies leading to this sad state of affairs.

Yours faithfully,

CHARLES E. COE, A.C.I.S., A.A.C.C.A., A.I.I.A.

Loughborough, Leics.

'The Fallacy of a Capital Levy'

SIR, – I am prompted to write this letter to you after reading the excellent article by Mr R. W. Moon, 'The fallacy of a capital levy' in your issue of January 27th last. I regret I cannot understand how a capital levy can be adjusted to the 'ability to pay' canon of taxation, as suggested by Mr Moon in his list of advantages of such a levy.

I suggest that most attempts at a capital valuation would conflict with the principle of ability to pay, from the point of view of individual capitalists, and also from the point of view of the social cost to the community. The problem goes deeper than the fact that different amounts of capital render varying rates of interest.

The difficulty appears to be, in so far as ability to pay is concerned, that people hold their capital in different forms. Here the question of valuation (admirably explained later in the article) would lead us to suppose that such a levy would be in direct conflict with ability to pay. The man who holds much of his capital in the form of luxury durable consumer goods, etc., is more likely to avoid an accurate valuation of his assets than the astute entrepreneur who for business reasons has to maintain most of his property in a shape that lends itself to more accurate assessment.

The former type of capitalist is far more able to pay a capital levy than the latter, but in practice the former is more likely to escape his obligation. This argument is also true of the man with a large income but with little capital, due to his living to the full extent of his income.

If a capital levy were introduced, he would still only pay the usual rates of direct tax on his income, and would escape the levy that more thrifty members of the community would have to bear. According to the 'ability to pay' principle, he should be just as liable.

The only time that a capital levy could possibly be in accordance with the principle would be if it were imposed immediately after a war, aimed at taxing away the economic rent elements in income that had occurred purely as a result of the war. There would still be the difficulty of a fair valuation but the canon of 'ability to pay' would be observed. From the social point of view, the community cannot afford this transfer to the public sector of the economy.

If the efficient business man is to suffer more, due to a capital levy, than less enterprising capitalists, it is clear that the volume of production will be adversely affected and those with the ability to organize production will not find it worth while to enter the industrial field.

Yours faithfully,

J. H. PETER PARR, B.A.(COM.)

Stretford, Manchester.

'Effect of Death Duties on Industry'

SIR, – We were very much interested in reading the article 'Effect of death duties on industry' in the October 28th, 1950, edition of your journal. There is, however, one paragraph in the article which is, we think, somewhat misleading. We refer to the last paragraph on page 421. The paragraph seems to imply that by making gifts of his shares as 'seem desirable' and selling the 'remainder' of his holding, the effect of Section 55 could be avoided.

We are of opinion that as a gift *inter vivos* within five years prior to death is 'deemed to have passed on the death' for the purposes of estate duty, the fact that the deceased has no holding at his death would be immaterial in such circumstances.

Yours faithfully,

MAW, REDMAN & MORFITT.

Lowgate, Hull.

'Financial Planning and Control'

SIR, – With reference to the second article on 'Financial planning and control', by Mr D. J. Simpson, A.C.A.(AUST.), in your issue of January 20th last, can Mr Simpson give any idea of the expected ratios of sales to fixed assets and sales to shareholders' funds to which he refers, and also give some explanation of the meaning or inferences to be drawn from such ratios when ascertained?

It seems to me that these ratios can vary very considerably from one type of business to another, and also among various firms concerned in the same business in accordance with the particular capital structure of the company concerned.

Yours faithfully,

Enfield, Middlesex. G. HEATON TAYLOR.

[Mr Simpson writes: I agree with the second paragraph of your correspondent's letter. If valid conclusions are to be drawn, the ratios should be based upon information which is strictly comparable. This is seldom the case as between different companies, even though carrying on a similar type of business. Hence no useful purpose is served in giving specific ratios which are not of general application.

However, most concerns are able to make comparison with their own past results, and so reveal the trend of operations. For example, a decrease in the ratio of sales to fixed assets may indicate (1) over-investment in fixed assets – perhaps due to excessive or unnecessary capital expenditure, either by the concern, or by its subsidiaries or branches; (2) that the business is over-capitalized, or resources are not being fully utilized. Where the ratio has increased, the converse generally applies.

The ratio of sales to shareholders' funds denotes the earning power of the capital and reserves retained in the business. In conjunction with the ratio of sales to paid-up capital, it shows the extent to which the reserves have assisted trading results. An increase in either ratio can indicate under capitalization and vice versa.

The trend of a single ratio cannot be regarded as conclusive; the trend of others must also be considered, and allowance made for any relevant circumstances in price changes.]

Private or Public Company?

SIR, – The answer to Mr Liptrot's query in your issue of January 13th last is surely: (*a*) the statutory meeting required of a public company, with all the work attached, is thereby avoided; (*b*) the procedure is far from cumbersome since all the resolutions required can be passed in the solicitor's office concerned by nominees, and the public company complete can be handed over in due course; the only considerable work being the compiling of the statement in lieu of prospectus.

Yours faithfully,

L. H. TRIMBY, A.C.A.

Limpley Stoke, Nr. Bath.

Rehabilitation Costs

SIR, – There must be many cases of clients moving to other premises during the last war by reason of bomb damage to their own properties, and who always intended returning, when their own premises were rebuilt. In the case in mind, through an oversight, a formal claim was made under Section 37, Finance Act, 1946, as amended by Section 78, Finance Act, 1948, before March 31st, 1949. Have any of your readers succeeded in obtaining an extension of the time under Section 78, Finance Act, 1948 (2) (*a*) or (*b*), which states 'or such later date as they (the Commissioners) may allow'?

We are endeavouring to claim the cost of removal back against 1946 excess profits tax as the premises have been rebuilt, but the Inspector will not allow the claim and says that he is informed the extended period is for a further maximum period of six months from March 31st in each case.

Obviously, detailed schedules were required for deferred repairs as deterioration is taking place the whole time, but as to the cost of removal, only a formal letter was required.

Yours faithfully,

LOGIC.

Betting Gains

SIR, – We shall be pleased to hear whether your readers have had the following experience.

The matter has usually arisen by one of two methods: (*a*) Where a small amount of interest, i.e. on a savings bank account, co-operative account, etc. of, say, no more than £2 per annum has been omitted from the return of income form; and (*b*) Where payments have been made and cannot be accounted for in returns previously made.

In both these cases the Inland Revenue have caused a great amount of inconvenience to our clients by requesting statements of investments and savings from 1942 onwards. In one case, which came under Schedule B, the client had over the past fifteen years amassed a sum of approximately £2,000. This came partly from his business which was carried on by his wife during the war years, partly from savings from his employment during the same period and partly from betting gains which were obtained as cash on the racecourse. In the latter case it was of course, impossible to produce documentary proof of the actual amount of this and the Inspector concerned made a definite statement that he could not accept such information, and further, we were not to forget that he was in a position to do more to our client than our client could do to him.

We have in our town more than one tax district and it is only in one of these districts that this difficulty has arisen. The remaining ones, together with the surrounding districts, have accepted figures which we have produced for them.

Yours faithfully,

CASE VI.

The Purpose of the Balance Sheet

SIR, – Being magnanimous, like Mr Davison, whose letter is published in your issue dated February 10th, I will give him the benefit of the doubt, although I rather suspect that his 'tenderness' is due to the weakness of his case. I selected only four items for comment, merely from considerations of space; if he does not appreciate my moderation, he should at least not infer that there are no other objections which I could have raised.

Mr Davison has indulged in a very old debating trick: he has set up an Aunt Sally of his own creation and then has proceeded with great gusto and delight to demolish it to his entire satisfaction. I do not begrudge him his fun, but I should like to correct any impression that he has answered my case. I have *not* (*a*) argued 'in support of the present anomalous position'; (*b*) suggested 'that capital subscribed at different dates should be stated separately . . .'; (*c*) stated 'that I still regard the balance sheet as being a valuation of some kind'; (*d*) objected to 'consistency in stating asset amounts'. (Regarding (*b*), I said that '*if Mr Davison* wants to disclose the full story about share capital' he must show when it was provided.)

I have not in fact – and I admit it quite freely – stated what my solution is; mainly for the reason that I do not know! I consider that the inherent difficulties and complications (particularly those arising from the considerable change in price levels) have not yet been solved – perhaps because inflation is relatively new in England and we have not yet had sufficient time to work out the answer. But if I cannot offer a solution of my own, I can at least strongly oppose a suggested 'solution' that to me appears very fallacious. I will proceed again to show why:

(1) *Stewardship:* Mr Davison's whole argument hinges on the idea that 'public accounts are accounts of stewardship'. I dispute that: it is an important aspect to be sure, but not the only one, and not necessarily the most important. Balance sheets are commonly (*a*) used to support applications for loans, from banks and other financial institutions; (*b*) given to important suppliers and customers as a means of increasing confidence and 'goodwill'. In the U.S.A., it is becoming increasingly common to give the accounts to staff and workpeople. One line of modern thought holds that a company has a triple responsibility: to shareholders; to customers; and to staff. If this is accepted, it could well be argued that the balance sheet should also reflect these three aspects. For these and other reasons I cannot agree that the balance sheet should be framed solely as an account of 'stewardship' of shareholders' money.

(2) *Suppression of information:* I cannot accept Mr Davison's reply. The 'writing-off' against such items as 'goodwill', 'subsidiary shares', 'advances to subsidiaries', etc., is invariably disclosed clearly on the balance sheet for the year *when the 'writing-off' took place* (if it is not, I agree that it ought to be). Future years can then, in my opinion, show the 'written-down' figure with no real objection regarding 'suppression'. This leaves the question of

(3) *Stocks:* I consider that it is a misuse of words to brand 'stock at cost or under' as a 'suppression of information'. Despite all its shortcomings, this old and tried formula quite rightly takes pride of place. Mr Davison has agreed that there is no such thing as 'actual cost' in any manufacturing business. It therefore follows that all stock figures are in the nature of a valuation, however much Mr Davison may dislike that word. In any case, what real difference does it make whether one shows 'stock at cost or under' at £800 or, as Mr Davison would have it, an item on one side 'gross' at £1,000 and, on the other side, a 'provision for loss' £200? What really matters is whether the net value should be £800, or £700, or £900; and this 'valuation' is, of course, always to some extent a matter of opinion.

(4) *Debts:* I find it incredible that Mr Davison still contends that debts can be dealt with on a 'cost' basis. How on earth can he determine the 'cost' of all debts – particularly as he agrees that there is no such thing as an 'actual cost? Take a simple example: a firm manufactures only one product, but with fifty styles, each in four sizes. To arrive at the 'cost' of all debts, it would be necessary to know, *inter alia:* (*a*) the analysis of all debts over styles/sizes; (*b*) when these particular articles were manufactured (i.e. out of each 'batch' or 'run' of that particular style); (*c*) the 'cost' of each article, per particular batch (including overheads) – bearing in mind that costs may vary weekly – even daily or hourly; (*d*) packing, carriage, and other selling/distribution expenses per consignment; (*e*) the proportion to charge for administration and general overheads. This is an extremely simple illustration: many firms manufacture a far larger range of products. I will cheerfully undertake to challenge on valid and reasonable grounds any figures of 'cost' of debts which Mr Davison can possibly produce; and, of course, Mr Davison could just as easily dispute any such figures I might arrive at, were I so reckless as to try.

It is a difficult enough task to try to determine accurately the profit for a business as a whole; it is quite hopeless to attempt to analyse it to every single article sold – and it is really so unnecessary. If I sell a man a box of toffee apples for £1, I think the balance sheet is sufficiently accurate if I show him as a debtor for £1, without having to determine the cost of the empty box, and the sticks, and the apples, and the toffee, and remembering to allow for the cost of the one I gave him to lick as a sample. And suppose I did all this, and find that the 'cost' is £1 2*s* 6*d*, would Mr Davison suggest that I include this figure in my assets?

I cannot express an opinion on Mr Davison's statistics regarding the reaction of shareholders – I will frankly confess that my researches into the contents of waste-paper baskets have been sadly neglected – but perhaps Mr Davison will agree with me that the opinion of this 99 per cent majority on the value of our miserable labours is very salutary. And who are we to say they are wrong?

Yours truly,

Ilford, Essex. J. ROSE.

COMPANY REGISTRATIONS

AT BUSH HOUSE, LONDON

(England and Wales)

JANUARY 1st TO DECEMBER 31st, 1950

(Compiled by Jordan and Sons, Limited, Company Registration Agents, Chancery Lane, WC2.)

Classes	Public Companies		Private Companies		Totals	
	Number Registered*	Capital	Number Registered	Capital	Number Registered	Capital
		£		£		£
Advertising	—	—	132	204,575	132	204,575
Boots and Shoes	—	—	141	928,405	141	928,405
Bricks, Cement, etc.	1	—	85	574,550	86	574,550
Builders	3	26,000	1,028	3,726,250	1,031	3,752,250
Carriers	2	6,000	337	1,237,300	339	1,243,300
Chemicals	2	300,000	378	1,765,940	380	2,065,940
Clothing	—	—	1,029	3,692,500	1,029	3,692,500
Clubs	6	5,000	27	55,120	33	60,120
Drink	—	—	95	2,279,273	95	2,279,273
Electricity (Radio), Gas and Water ..	1	—	439	2,242,300	440	2,242,300
Engineers	2	—	1,273	7,724,957	1,275	7,724,957
Farmers and Planters	4	50,000	322	2,648,300	326	2,698,300
Food	6	27,975	1,348	7,158,880	1,354	7,186,855
Furniture	1	—	311	1,342,435	312	1,342,435
Glass and Pottery	—	—	110	364,160	110	364,160
Hotels	—	—	154	814,210	154	814,210
Insurance	2	—	63	503,750	65	503,750
Investment, Finance and Banks ..	11	114,000	284	2,583,261	295	2,697,261
Jewellery	—	—	149	725,100	149	725,100
Kinemas	3	—	161	375,700	164	375,700
Land and Property	9	35,000	800	2,475,961	809	2,510,961
Laundries	1	—	134	487,355	135	487,355
Leather	—	—	91	996,500	91	996,500
Merchants	4	66,750	710	2,978,600	714	3,045,350
Metals	—	—	197	1,333,300	197	1,333,300
Mines and Quarries	—	—	42	1,790,000	42	1,790,000
Miscellaneous	36	—	248	604,400	284	604,400
Motors	2	—	512	1,862,999	514	1,862,999
Music	7	—	43	44,300	50	44,300
Newspapers	—	—	62	198,400	62	198,400
Nurserymen	—	—	135	572,495	135	572,495
Nursing	17	—	137	281,000	154	281,000
Oil	—	—	24	276,800	24	276,800
Photography	—	—	108	217,370	108	217,370
Plastics	—	—	55	187,900	55	187,900
Printers	—	—	218	654,921	218	654,921
Publishers	—	—	113	264,630	113	264,630
Roads	—	—	12	19,850	12	19,850
Rubber	—	—	33	198,600	33	198,600
Schools	16	—	35	169,300	51	169,300
Shipping	3	534,000	141	2,299,200	144	2,833,200
Sports	26	62,000	195	638,550	221	700,550
Stationers and Papermakers	—	—	187	645,700	187	645,700
Textiles	2	—	648	4,675,800	650	4,675,800
Theatres	16	—	107	220,650	123	220,650
Timber	—	—	171	1,139,050	171	1,139,050
Tobacco	—	—	71	354,750	71	354,750
Totals (for the year 1950)	183	1,226,725	13,095	66,535,347	13,278	67,762,072
Comparisons with 1949	*150*	*4,541,449*	*13,605*	*71,955,003*	*13,755*	*76,496,452*

* Includes 157 guarantee companies.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

The following is a list of Associates elected to Fellowship and applicants admitted to membership at the Council meeting held on February 7th, 1951, who completed their Fellowship or Membership before February 20th.

Associates elected Fellows

Bagge, Herbert Walter; 1925, A.C.A.; (Farrow, Bersey, Gain, Vincent & Co), 53 New Broad Street, London, EC2, and at Southend-on-Sea.

Bascombe, Norman Geoffrey; 1937, A.C.A.; (Harvey Preen & Co), 20 & 21 Orchard Street, Bristol, 1, and at Birmingham and London; also at Stratford-on-Avon (Newland & Co).

Beale, Henry Alfred; 1920, A.C.A.; (*Chalmers, Wade & Co), 21 Bennett's Hill, Birmingham, 2, and at Liverpool, London, Shaftesbury, Wells, Weymouth and Yeovil.

Beddington, William Edward; 1936, A.C.A.; (Cooper-Parry, Hall, Doughty & Co), 102 Friar Gate, Derby, and at Ashbourne, Burton-on-Trent and Uttoxeter.

Beeney, Herbert Arthur, M.B.E.; 1931, A.C.A.; (West, Adams & Co), 2 Central Buildings, London Road, Bognor Regis.

Benson, John Cuthbert; 1938, A.C.A.; (John G. Benson & Sons), 27 Grey Street, Newcastle upon Tyne, 1.

Bingham, Charles William; 1934, A.C.A.; (Stanley Blythen & Co), 12 Low Pavement, Nottingham, and at Long Eaton.

Brookes, Walter Gilbert; 1929, A.C.A.; (Fuller, Wise, Fisher & Co), 55–61 Moorgate, London, EC2.

Burke-Scott, James Patrick; 1935, A.C.A.; (Bettson, Fielder & Co), 1 & 2 Great Winchester Street, London, EC2.

Chapman, Arthur Norman; 1936, A.C.A.; (North, Chapman & Co), 6 & 7 Water Lane, Great Tower Street, London, EC3.

Coleman, Arthur Wright; 1929, A.C.A.; (Futcher, Head, Smith & Co), Broad Street House, 54 Old Broad Street, London, EC2.

Crofts, Robert Ernest; 1935, A.C.A.; (Edward Thomas Peirson & Sons), 39 High Street, Market Harborough.

Croxton-Smith, Claude, M.A., LL.B.; 1936, A.C.A.; (Watling & Partners), 40 Broad Street, Bristol, 1.

Darker, Denzil Ernest; 1927, A.C.A.; (*Price Waterhouse & Co), 3 Frederick's Place, Old Jewry, London, EC2; (for other towns see *Price Waterhouse & Co).

Deacon, Lawrence O'Brien; 1941, A.C.A.; (Pridie, Brewster & Gold), 61 & 62 Gracechurch Street, London, EC3.

Dodd, Denis Featherstone, T.D.; 1938, A.C.A.; (Wenham Brothers & Co), and (Sidney H. Hossell & Co), 21 Bennett's Hill, Birmingham, 2; also at London, (Wenham Brothers & Co).

Drake, Frederick George Frank, M.A.; 1933, A.C.A.; (*J. & A. W. Sully & Co), 16 King Square, Bridgwater, and at Barnstaple and South Molton; also at Yeovil, (J. & A. W. Sully & Co).

Duncan, Stanley Malcolm; 1932, A.C.A.; (*Price Waterhouse & Co), 3 Frederick's Place, Old Jewry, London, EC2; (for other towns see *Price Waterhouse & Co).

Freeman, John McDonald; 1935, A.C.A.; (Somerset Cowper & Co), 199 Piccadilly, London, W1; also at Newbury, (James & Cowper).

Friedenthal, John Talbot; 1930, A.C.A.; (Farrow, Bersey, Gain, Vincent & Co), 53 New Broad Street, London, EC2, and at Southend-on-Sea.

Gilbert, Raymond Charles, M.A.; 1937, A.C.A.; (Hawkins & Co), 30 Ely Place, Holborn Circus, London, EC1.

Goodwin, Charles Richard Parry; 1934, A.C.A.; (Baldwin & Son), 12 Marlborough Place, Brighton, 1, and at Sunningdale.

Hale, Edward Thomas; 1938, A.C.A.; (Drury, Thurgood & Co), Dashwood House, 69 Old Broad Street, London, EC2.

Inch, Reginald Frederick; 1937, A.C.A.; (Somerset Cowper & Co), 199 Piccadilly, London, W1; also at Newbury, (James & Cowper).

Leather, Wilfred Harvey, M.A.; 1937, A.C.A.; (Harmood Banner, Lewis & Mounsey), 3 Lombard Street, London, EC3, and at Chester and Liverpool.

Lee, Francis George; 1931, A.C.A.; 5 East Street, Ilkeston, Derbyshire.

Lee, John Alfred; 1925, A.C.A.; (*N. Williamson & Co), 21 Potter Street, Worksop.

Lichman, Joseph Louis; 1937, A.C.A.; (J. L. Lichman & Co), 37 Manchester Street, London, W1.

Mackrill, Thomas Whittick; 1932, A.C.A.; (Oliver, Mackrill & Co), Austin House, Paragon Street, Hull.

Marshall, Alan Howe, M.A.; 1936, A.C.A.; (Morison, Rutherford & Co), 20 Eastcheap, London, EC3.

Mason, Langton Geoffrey; 1945, A.C.A.; (*Burston, Dimmock & Mason), 11A Cornhill, Bridgwater, Somerset, and at Langport and Street.

Moore, Leslie Leonard; 1941, A.C.A.; (Ogden, Hibberd Bull & Langton), Audrey House, Ely Place, London, EC1.

Nicholson, Hugh Thayer; 1936, A.C.A.; (Harmood Banner, Lewis & Mounsey), 3 Lombard Street, London, EC3, and at Chester and Liverpool.

O'Donnell, Martin Gerard; 1933, A.C.A.; (Martin O'Donnell & Co), 27 Marsh Lane, Stanmore, Middlesex, and at Harrow and London.

Osborne, John Edwin, T.D.; 1933, A.C.A.; (Lofthouse & Osborne), 49A Whitefriargate, Hull.

Palmer, Arthur Crosby; 1932, A.C.A.; (Watling & Partners), 40 Broad Street, Bristol, 1.

Perman, John Wallace; 1932, A.C.A.; (Derek Webster & Co), Baker Street Chambers, 136 Baker Street, London, W1.

Pickard, Thomas William; 1931, A.C.A.; (Gordon Thomas & Pickard), and (Thomas, Pickard & Co), 2 Church Street, Cardiff, and at Swansea.

Plummer, Raymond, M.A.; 1934, A.C.A.; (Fuller, Wise Fisher & Co), 55–61 Moorgate, London, EC2.

Robertson, David William; 1933, A.C.A.; (Turquand Youngs & Co), and (*Arthur Andersen, Turquand Youngs & Co), 19 Coleman Street, London, EC2; (for other towns see Turquand, Youngs & Co (Spain) *Turquand, Youngs & Co (Argentina, Bristol (England) Brazil, The East), *Arthur Andersen, Turquand, Youngs & Co (France, U.S.A.), *Fuller, King, Turquand Youngs & Co (Australia)).

Rutter, Sydney; 1941, A.C.A.; (Rutter, Lee & Co), 3 St Mary Axe, London, EC3.

Salter, Leslie Heddon; 1932, A.C.A.; (Yeatman, Melbour & Co), and (L. M. Harris & Co), 68 Coleman Street London, EC2.

Scotten, Alfred; 1940, A.C.A.; (Leonard G. Lane, Scotte & Co), 34–40 Ludgate Hill, London, EC4.

Taylor, Cecil Charlton; 1939, A.C.A.; (Wilson, de Zouch & Mackenzie), 20 Castle Street, Liverpool, 2, and a London.

Terras, Frederick Richard, B.A.; 1930, A.C.A.; (Swanwick Terras & Co), 64 Cross Street, Manchester, 2.

Thorpe, Herbert; 1931, A.C.A.; (Joseph Sykes & Co 131 Stamford Street, Stalybridge.

Vallance, James Paterson; 1946, A.C.A.; (Fincham, Vallanc & Co), 3 & 4 Clement's Inn, Strand, London, WC2.

* placed against a firm name signifies that the firm is not exclusively composed of members of the Institute.

Waite, Wilfred Barrow; 1913, A.C.A.; (R. F. Miller & Co) Ramsden Square, Barrow-in-Furness, and at Keswick and Ulverston.
Ward, George Norman; 1928, A.C.A.; (R. F. Miller & Co), Council Chambers, Keswick, and at Barrow-in-Furness and Ulverston.
Whineray, Ronald Casson; 1926, A.C.A.; (R. F. Miller & Co), Ramsden Square, Barrow-in-Furness, and at Keswick and Ulverston.
Wilby, Frederick Kenneth; 1932, A.C.A.; (Brown & Wilby), Priory Chambers, St Martins, Leicester.
Wykes, Christopher Lewis; 1936, A.C.A.; (Wykes & Co), 24 Friar Lane, Leicester.

(Not in England or Wales)

Lea, George Frederick, M.B.E.; 1928, A.C.A.; (*Douglas, Low & Co), and (*Whinney, Smith & Whinney), 700–710 Aegis Building, Loveday Street, (P.O. Box 2820), Johannesburg; also at Cape Town, (*Douglas, Low & Co), Durban, (*Douglas, Low, Alexander & Co), and Port Elizabeth, (*Douglas, Low, Treasure & Co).
Taylor, Charles Reginald; 1928, A.C.A.; (*Price Waterhouse & Co), and (*Price Waterhouse, Peat & Co), Edificio Fenix, 206, Plaza San Martin (Casilla 1434), Lima, Peru, and at La Paz, Oruro and Quito.
Wilson, Ian Birrell; 1933, A.C.A.; (Ford, Rhodes, Parks & Co), Bank of Baroda Building, Apollo Street, Bombay, India, and at Calcutta, Karachi and Mathurai.

Admitted as Associates
(Not in Practice)

Bunney, George, with Wood, Drew & Co, 65–66 Chancery Lane, London, WC2.
Makin, Michael Ian, with *Cole, Dickin & Hills, 18 Essex Street, Strand, London, WC2.
Morris, Gethin Derek, with W. A. Browne & Co, 307 Winchester House, Old Broad Street, London, EC2.
Pragnell, Thomas Michael, with Mellors, Basden & Co, Portland House, 73 Basinghall Street, London, EC2.

Former Member readmitted to Membership

Broom, Merlin Newman, 57 Inverness Terrace, London, W2.

THE SHEFFIELD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

THE SHEFFIELD CHARTERED ACCOUNTANT STUDENTS' SOCIETY

JOINT ANNUAL DINNER

A joint annual dinner was held at the Grand Hotel, Sheffield, on Friday, February 16th, 1951, by members of the Sheffield and District Society of Chartered Accountants and of the Sheffield Chartered Accountant Students' Society. The President, Mr J. F. Dunk F.C.A., was in the chair, and the 223 members and guests who attended were received by Mr Dunk and Mr H. Garton Ash, O.B.E., M.C., F.C.A., President of The Institute of Chartered Accountants in England and Wales.

Among those present were Alderman Keeble Hawson, Lord Mayor of Sheffield, Sir John McLean Duncanson, Kt, Vice-President of the Iron and Steel Institute, Mr G. Wilton Lee, the Master Cutler, and

Messrs Sydney Bird (*Chairman, Sheffield Centre, Institute of Bankers*); F. Cave (*H.M. Principal Inspector of Taxes*); Dr A. W. Chapman, D.SC., F.R.I.C. (*Registrar, The University of Sheffield*); Messrs Derek du Pré (*Editor 'The Accountant'*); J. M. Drummond, F.I.M.T.A., A.S.A.A. (*City Treasurer of Sheffield*); His Honour Judge R. C. Essenhigh.

Messrs F. K. Gardiner, J.P. (*Editor, 'The Sheffield Telegraph'*); W. C. Garrison, F.C.W.A. (*President, Sheffield Society of Cost and Works Accountants*); E. Gooseman (*Editor, 'The Star'*); Paul F. Granger, F.C.A. (*President, Nottingham Society of Chartered Accountants*); W. P. Haslegrave, F.C.I.I. (*President, Insurance Institute of Sheffield*); John Heys, C.B.E. (*Town Clerk of Sheffield*); O. W. Horne, M.C., F.C.A. (*President of South Eastern Society of Chartered Accountants*); Philip Howe, LL.B. (*Clerk of the Peace*).

Mr Roland Jennings, M.P., F.C.A. (*Member of Parliament, Hallam Division*); Alderman William Leach, J.P. (*Mayor of Barnsley*); Councillor F. Lloyd, M.ENG., J.P. (*President, Sheffield Chamber of Commerce*); Messrs A. S. MacIver, M.C. (*Secretary, Institute of Chartered Accountants*); Raymond Meeke, LL.B. (*President, Sheffield and District Incorporated Law Society*); C. D. North, F.C.A. (*President, Leeds, Bradford and District Society of Chartered Accountants*).

Messrs J. W. Richardson, F.S.A.A. (*President, Incorporated Accountants' Society of Sheffield*); G. B. Robins, F.C.A. (*President, Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants*); R. Royston, F.A.C.C.A. (*President, Sheffield and District Society of the Association of Certified and Corporate Accountants*); L. C. Simpson, F.C.A. (*President, Leicestershire and Northamptonshire Society of Chartered Accountants*); G. M. W. West, F.C.A. (*President, Liverpool Society of Chartered Accountants*); M. Wheatley Jones, B.COM., F.C.A. (*President, Manchester Society of Chartered Accountants*); Arthur Wilson, F.C.I.S. (*President, Sheffield and District Branch, Chartered Institute of Secretaries*),

together with honorary officials of other professional bodies and student societies.

The Steel Industry

The toast of 'The City and Trades of Sheffield' was proposed by Sir John McLean Duncanson who spoke of the achievements of Sheffield as the city 'which pioneered steel and is still the premier city of steel with a world-renowned name'. Referring to uncertainties in our domestic affairs at the present time, Sir John said that these were small compared with the dangers of the international situation.

'It would ill behove any of us to get too excited about them. Time is a great factor. Things will sort themselves out, and I have not the slightest doubt will sort themselves out in the right way for the country. But it would be an awful thing for us if world disaster came upon us and we found ourselves in any way responsible because we were looking so much at home that we were in a situation where we could not see the wood for the trees.' (Hear, hear.)

'A good steel industry' was a necessary ingredient

for a robust and healthy Britain, and in any momentous decision that had to be taken Sir John felt we should rise above self-interest to consider the welfare of the country as a whole.

In his response, the Lord Mayor said that the amazing growth of the city was due almost entirely to the steel industry, and he paid a tribute to 'those great Sheffielders who in steel made Sheffield what it is'.

Whatever changes had taken place it was the duty of everyone connected with the steel industry to see that it carried on under the best possible conditions for the sake of the city, the country and the world. (Applause.)

'It does not need a steel man to see that it is essential that the steel industry should be at the top of its form and ready for any eventuality; it is therefore the duty of all of us to realize that. Whether we personally approve of what has been done or not, it has now become a matter of history.' (Hear, hear.)

Proposing the toast of 'The Institute of Chartered Accountants in England and Wales', the Master Cutler felt we were too inclined to be 'punch-drunk' and to take things lying down. (Hear, hear.)

One of the problems facing us today was the training of youth, and he spoke of the excellent grounding received by the chartered accountant.

The present 'penal taxation', he said, had a crippling effect on initiative and the development of industry, and the chartered accountant, through his contact with every type of trade and industry, must be fully aware of this.

He continued:

'Couldn't you bring home to the powers that be the seriousness of this course, if it is persisted in, and the inevitable disappearance of capital which it entails?'

A 'plain pronouncement' by the accountancy profession would do much to establish the true position.

Incomes of Retired People

In the course of his reply, Mr H. Garton Ash said:

'The changes which have taken place in recent years in so many important enterprises have so often had the effect of reducing the incomes of a very large number of people, many of whom can ill afford the reduction.

'I refer particularly to those who have retired and are living on a small income from their savings or have lost the family bread-winner and so have not been in a position to find means of replacing this loss of income. They are seriously affected in two ways, for they not only suffer the loss of income but are also caught by the increase in the cost of living. With the continuation, to a large extent, of the restraint on dividends, these unfortunate people are not even able to obtain some amelioration of their lot by receiving some higher income from any other investments they may happen to hold. They have little or no opportunity of making their voice heard sufficiently to ensure attention being paid to their plight. I am sure all of us – particularly we accountants – are aware of many cases of this kind. (Hear, hear.)

'I sometimes wonder what purpose this restriction of dividends really serves in the national interest. For after all, if the shareholder is a wealthy man, a very large slice of the additional income is taken off in income-tax and surtax which largely counteracts any inflationary tendency. In the case of the smaller shareholder it only goes to help counteract the adverse conditions to which I have referred and so avoid to some extent the hardship and want which is now their lot.

'Wages have been increased and are still being increased to help meet the increasing cost of living, and it would seem only fair that those who have supplied the finance which has provided the structure by means of which the wages are earned, should be given some increase to counteract the very conditions which have necessitated the wage increases. (Hear, hear.)

'Is not the risk they have taken worthy to receive its due reward? I must not be misunderstood. I am not suggesting a full flood of greatly increased dividends – that would be a mistake – I do not think that possible in view of present financial conditions which themselves act as a necessary restraint on the sums which directors could feel justified in distributing.

'But surely, where it is financially sound, some reasonable increase is justified. My plea is to alleviate great hardship falling on those least able to bear it, the aged, the widow and the infirm. To sum this up, "is it fair?" (Applause.)

The Institute's Benevolent Association

'The Benevolent Association of the Institute has, I am glad to say, already had regard to some aspects of this problem. Those of you (and here I am, of course, addressing our own members) who are members of that Association – and I hope most of you are – will possibly have noticed references in that Association's recent annual reports to the fact that it has been taking an active interest in the provision of homes for old people.

'In view of the general shortage of accommodation in this country and because of the virtual impossibility of obtaining any sort of domestic help, there was an urgent need to provide accommodation in homes for beneficiaries of the Association who were too old to look after themselves. This matter is, I think, now being taken care of satisfactorily as far as those particular beneficiaries are concerned. (Applause.)

Help for Old People

'There is, however, a much wider need for some form of help to be given to old people, and especially to those who before the war possessed small means which were then perfectly adequate to provide for their simple needs. Many of these people have been very hardly hit, not only by the continuing rise in the cost of living, to which I have referred, but also by the difficulty of obtaining any domestic help. There is here, in my view, a problem which a professional body ought to face, and to consider the possibility of providing homes in which elderly members or the widows of members could live at a reasonable cost.

'We should like to have more information about this problem and I should be glad if any member would let the Secretary of the Institute know the names and addresses of any member, past member or widow of a member, who would be likely to require help from such a scheme.'

Mr Garton Ash then appealed to those present to encourage their fellow members to become subscribers to the Association.

The toast of 'The Guests' was most ably proposed by Mr K. C. Manterfield, a member of the Students' Society; Mr Roland Jennings, M.P., F.C.A., and Mr Paul F. Granger, F.C.A., President of the Nottingham Society of Chartered Accountants, replied.

Mr W. B. Gowers, F.C.A., proposed the toast of 'The President'; in his response, Mr Dunk thanked the dinner committee and its secretary, Mr Percy E. Smith, F.C.A., for all their excellent work.

Music was provided during dinner by the Grand Hotel Trio.

NOTES AND NOTICES

The Institute of Chartered Accountants in England and Wales

SUMMER COURSE, 1951

The Council of the Institute has made arrangements, by kind consent of the governing body of Christ Church, Oxford, for the fifth summer course to be held in September. The course will assemble during the afternoon and evening of Sunday, September 9th, 1951, and disperse after lunch on Friday, September 14th, 1951. Accommodation will be available for members wishing to remain for Friday night.

PROCEEDINGS

As on previous courses, the objects are to afford members from all parts of the country an opportunity of meeting one another and to promote serious thought and discussion on some of the important matters confronting the accountancy profession. Group discussions and free exchange of views and experience will form an essential feature and the programme will provide for recreation and social activities. Arrangements have been made for addresses by the following speakers:

Mr S. M. Duncan, F.C.A. (London): 'An accountant's office organization and working papers'.

Mr H. P. Finn, A.C.A. (Leicester): (a subject of industrial interest; title to be announced).

Mr W. H. Lawson, C.B.E., B.A., F.C.A. (London): 'Auditing'.

A member from one of the Dominions: (speaker and subject to be announced).

ALLOCATION OF VACANCIES

A maximum of 160 members can be admitted to the course. The application list will remain open until April 30th, 1951, and if necessary allotments will then be made by ballot.

COST

The fee payable by members attending the course is £9 5s per member, inclusive of accommodation and meals in college. (An additional charge of 10s 6d will be made for members remaining until Saturday morning.)

Personal

MESSRS ALBERT GOODMAN & CO, Chartered Accountants, announce that as from January 1st, 1951, they have admitted as partners, Mr EDWARD ROWLAND SIDDLE, A.C.A., A.S.A.A., Mr JOHN CHARLES SMETHERS, A.C.A., and Mr ROBERT GEORGE MILLARD, A.C.A. Mr SIDDLE and Mr MILLARD will practise at the Taunton office and Mr SMETHERS in London.

MESSRS MITCHELL & COULDWELL, Chartered Accountants, 8 Ward's End, Halifax, announce that Mr VERNON BOTTOMLEY, A.C.A., A.C.I.S., has been admitted to the partnership. Mr BOTTOMLEY has been employed by the firm for some 15 years. The style of the firm will remain unchanged and the practice will be continued from the same address.

MESSRS WOOLGER, HENNELL, SCOTT-MITCHELL & CO, Chartered Accountants, of 165–167 Moorgate, London, EC2, announce with regret the death, on January 29th, 1951, of Mr SYDNEY ALLPORT, F.C.A., for many years a partner in the firm.

MESSRS GRAY, STAINFORTH & CO announce that their senior partner, Mr RODWAY STEPHENS, retires from the firm at February 28th, 1951, but will be available for consultation at the firm's city office.

MESSRS TREACHER, HERVEY MORRIS & CO announce with much regret the sudden death on February 4th of Mr ARTHUR E. TREACHER.

MESSRS FORD, RHODES, THORNTON & CO, Chartered Accountants, of P. O. Box No. 186, Colombo, Ceylon, announce that Mr JOHN HENDERSON, C.A., and Mr CYRIL GORDON THOMAS LINDSAY-WHITE, A.C.A., senior assistants of the firm have been admitted as partners, with effect from January 1st, 1951.

Professional Note

Mr Maurice Tattersfield, A.C.A., F.C.C.S., Director and Secretary of Electro-Hydraulics Ltd, Warrington, has been appointed a Director of Conveyancer Fork Trucks Ltd and Conveyancer Fork Trucks (Canada) Ltd.

Obituary

ALFRED HARMAN EDWARDS, J.P., F.S.A.A.

We have learned with regret of the recent death of Mr Alfred Harman Edwards, J.P., F.S.A.A., principal in the firm of Edwards & Edwards, Incorporated Accountants, of Dorchester, at the age of 66.

Mr Edwards was born and educated in Dorchester, where he was well known and respected for his numerous and notable services in public life. He was a Justice of the Peace for both the borough of Dorchester and the county of Dorset; a county alderman, and for seventeen years – from 1930–1947 – borough treasurer, an office his father, the late Mr A. R. Edwards, F.S.A.A., held before him.

A member of the Council of the Society since 1949, Mr Edwards qualified as an incorporated accountant in London, in 1909, and then returned to Dorchester as a partner in the firm founded by his father. The founder's grandson, Major M. A. Edwards, A.S.A.A., is now continuing the practice in partnership with Mr Clifford Wild, F.S.A.A.

RICHARD FIELD HELM, F.C.A.

The death is announced of Mr Richard Field Helm, F.C.A., of the firm of Hodgson, Harris & Co, Chartered Accountants, with which he had been associated for 67 years and in which he had been a partner for more than 50 years. Mr Helm was in Hull at business on the Tuesday and died at his residence, 1 Shaftesbury Road, Bridlington, in the early hours of Friday morning, February 16th.

One of Mr Helm's sons is a partner in the firm of Hodgson, Harris & Co.

In Parliament

SPECIAL CONTRIBUTION

Mr HOUGHTON asked the Chancellor of the Exchequer what amount of Special Contribution has not yet been paid; and what proportion this is of the total amount charged.

Mr JAY: The total yield of the Special Contribution was estimated at £105 million. Of this £103½ million has been paid, leaving £1½ million, or 1½ per cent, outstanding.

Hansard, Feb. 8th, 1951, Written Answers, Col. 228.

INCOME TAX: P.A.Y.E.

Mr BOSSOM asked the Chancellor of the Exchequer if he is aware of the great amount of time and consequent cost to every employer, needed each week to work out the tax for Pay-as-you-earn; and if he will consider some simpler system to avoid this use of labour at this time.

Mr GAITSKELL: The review of the Pay-as-you-earn system falls within the terms of reference of the Royal Commission on the Taxation of Profits and Income which has recently been appointed.

Hansard, Feb. 15th, 1951, Written Answers, Col. 90.

ESTATE DUTY

Sir WAVELL WAKEFIELD asked the Chancellor of the Exchequer what steps he proposes to take with regard to the memorandum submitted to him on November 20th, 1950, by the National Union of Manufacturers urging that a public inquiry should be held into the effects on British industry of the present high rates of estate duty.

Mr GAITSKELL: I would refer the hon. Member to the reply I gave to the hon. Member for Chippenham (Mr Eccles) on February 6th.

Sir W. WAKEFIELD: Where evidence has been submitted to the effect that high estate duty is having a serious effect on production, cannot something be done about it?

Mr GAITSKELL: I do not think there is any great evidence to that effect, or evidence of any hardship.

Hansard, Feb. 13th, 1951. Oral Answers, Col. 197.

Colonial Appointment for Sir John Imrie

Sir John D. Imrie, C.B.E., J.P., M.A., B.COM., F.S.A.A., F.I.M.T.A., City Chamberlain of Edinburgh since 1926 and a former president of the Institute of Municipal Treasurers and Accountants, has accepted a Colonial Office appointment as Commissioner for Local Government in Trinidad and Tobago. Sir John Imrie has decided to resign from the Corporation of Edinburgh on October 16th, when he is sixty years of age, and will take up his Colonial appointment, which is of a temporary nature, at the end of the year.

He has previously visited Trinidad and Tobago, for three months in the autumn of 1949, as a member of a commission inquiring into the financial relationship of the Central Government of Trinidad and Tobago and the Local Government bodies.

A prolific writer on local government finance and administration, Sir John Imrie has served on many Government committees. He is at present a member of the committee of inquiry into Anglo-Scottish financial and economic relations.

Assistant Official Receiver Appointed

The Board of Trade have appointed Mr Robert Frank Howe to be Official Receiver for the Bankruptcy District of the County Courts of Newcastle upon Tyne, Durham and Sunderland; and also for the Bankruptcy District of the County Courts of Stockton-on-Tees, Middlesbrough and Darlington, with effect from February 1st, 1951.

London and District Society of Chartered Accountants

Members of the Society are reminded of the luncheon to be held on Tuesday, March 13th, 1951, followed by an address by Mr A. Beverley Baxter, M.P. Applications for tickets should reach the Secretary not later than next Saturday, March 3rd. Details were published in *The Accountant* of February 10th.

The Society of Accountants in Aberdeen

The eighty-fourth annual meeting of The Society of Accountants in Aberdeen was held on February 7th. The report presented by the Council showed a successful year of activity and an increase in membership, which now totals 251. Indentures for seventeen new apprentices were received, so that at December 31st, 1950, there were fifty-six indentures current.

The following office bearers were appointed for 1951–52:

President: Mr Gordon J. Innes.

Council: Messrs E. Birnie Reid, O.B.E., T. F. Robson, M.A., J. Patrick Jeffrey, B.SC., J. W. Irvine-Fortescue, M.A., John Grant, M.A., Leith Michie.

Librarian: Mr Gordon J. Innes.

Law Agent: Mr G. F. Collie, M.B.E.

Secretary and Treasurer: Mr Lessel M. Davidson.

Representatives to the General Examining Board: The President, Mr John Grant, M.A., and Mr J. G. W. Davidson.

Representatives to the Joint Committee of Councils of Scottish Chartered Accountants: The President and Mr E. Birnie Reid, O.B.E.

East Anglian Society of Chartered Accountants

STUDENTS' TUITION COURSE

The next residential course for students has been arranged to take place in Norwich from Monday, April 16th to Saturday, April 21st, inclusive. The committee will welcome the attendance of any students of other district societies. Full particulars of the course can be obtained from Mr H. Robinson, F.C.A., Bowmaker House, 10 Redwell Street, Norwich.

The Leeds, Bradford and District Society of Chartered Accountants

Four members of the Management Accounting Team, which recently toured the United States, will discuss 'Management accounting' at a meeting of members of the Society at the Hotel Metropole, Leeds, on March 14th, 1951. The four members of the team who will be present are: Mr Ian T. Morrow, C.A., F.C.W.A. (leader of the team and partner in Robson, Morrow & Co); Mr F. J. Weeks, A.C.A. (W. D. & H. O. Wills Branch of the Imperial Tobacco Co); Mr D. Williamson, A.C.A., A.C.W.A. (Guest, Keen & Nettlefolds); Mr R. G. Hooker (Statistical Consultant, Anglo-American Council on Productivity); Mr C. F. Barnard (Nirrlees, Bickerton & Day Ltd).

The meeting will commence at 6.15 p.m.

Blackpool and Fylde Branch Chartered Accountants' Society

At the annual general meeting of the society, a branch of the North Lancashire Branch of the Manchester Society of Chartered Accountants, held in Blackpool on January 30th, Mr J. Blane, F.C.A., was re-elected president, Mr G. A. Box, F.C.A., was appointed chairman, the retiring officers and committee were all reappointed, and Mr J. D. Eckersley, A.C.A., was reappointed secretary.

Two lectures were given during the session: eight members attended on each occasion; a monthly luncheon meeting and discussion held in Blackpool has been attended by some fifteen members.

Registration of Business Names Act, 1916

The Board of Trade states that during the year ended December 31st, 1950, there were 30,977 new registrations, bringing the total number on the register on that date up to 590,201. During 1950, 17 prosecutions were instituted by the Board for non-compliance with the provisions of the Act, and convictions were obtained in 16 cases.

The Chartered Accountant Students' Society of London

'Pitfalls for accountants' will be the title of a lecture to be given by Mr F. B. Reynolds, A.C.I.B., next Thursday, March 1st. Mr Reynolds will deal with problems arising in the ordinary course of an accountant's practice which may ultimately lead to claims against the practitioner. The meeting will be at 5.30 p.m. in the Oak Hall of The Institute of Chartered Accountants.

Recent Publications

INVESTMENT ARITHMETIC, by M. S. Rix. x + 155 pp. 8½ × 5½. 15s net. Sir Isaac Pitman & Sons Ltd, London.

RANKING, SPICER AND PEGLER'S THE RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES AND RECEIVERS. Twenty-first Edition, by H. A. R. J. Wilson, F.C.A., F.S.A.A., and R. D. Penfold, LL.B. xxxiii + 452 pp. 9½ × 7½. 21s net. H.F.L. (Publishers) Ltd, London.

TAX CASES, Vol. XXXI, Part V, pages 265–308, paper cover. 1s net. His Majesty's Stationery Office, London.

Our Weekly Problem

NO. 34: AVERAGE WEEKLY PROFIT

Cats Cradles Ltd made up its accounts to the last Saturday in the year. Mr L. U. Sidate was examining the following note that Charles had made on the audit.

'The average weekly profit for the last three years has been:

	£	s	d
1948	13	1	8
1949	15	14	0
1950	16	7	1
	£45	2	9

The average for the three years is thus £15 0s 11d.'

He summoned Charles. 'Have another look through your notes', he said. 'You'll never get through your examinations if you make that sort of mistake.'

What was Charles' mistake?

The answer will be published next week.

ANSWER TO NO. 33: COLOURED TUBES OF TOOTH-PASTE

The total cost was 7s 9d, and 5d separated the most expensive from the cheapest so that the prices ranged from 1s 6d (Saturday) to 1s 1d (green). Wednesday was 1s 3d. Sunday and Wednesday (1s 3d) cost twice yellow which must therefore be 1s 2d, and Sunday 1s 1d (green). Wednesday (a colour mixture) cannot therefore be green and must be orange, with Tuesday and Thursday either yellow or red. Tuesday is not 1s 5d so must be 1s 2d (yellow) and Thursday red which must be 1s 5d – the only price left.

Single House Plots: Central Land Board's Leaflet Revised

The Central Land Board have revised their leaflet House 2, which explains the conditions under which those who bought plots of land before July 1st, 1948, to build houses for themselves, can have their development charge set off against their claim on the £300 million.

The main alteration is that the Board will not, except in a few special cases, collect from single-plot owners any amount by which their development charge exceeds their claim because of a rise in market values.

Copies of the revised leaflet, which cancels previous editions, are obtainable from the Board's offices.

More Currency for Health Travel

It is now possible to release more currency for travel to certain European countries for health reasons. This results from the establishment of the European Payments Union (E.P.U.), of which the United Kingdom is a member, and the favourable balance of payments position of the United Kingdom with other E.P.U. countries. Hitherto, in granting currency for health reasons it has been an essential condition that the treatment required could not be obtained in the United Kingdom or elsewhere in the sterling area. Now, however, currency when applied for, will be available for treatment in any E.P.U. country in cases of genuine illness, regardless of whether or not suitable treatment can be obtained in the sterling area. Applications must, as hitherto, be made by the patient's doctor to the Exchange Control Medical Advisory Committee, except for travel to Denmark, Norway and Sweden, where the patient should apply direct to any bank or travel agency for the required currency. The countries for which doctors can make the necessary application are: Austria, Belgium, France, Greece, Italy, Liechtenstein, Luxembourg, The Netherlands, Portugal, Spain, Switzerland, Turkey, Western Zones of Germany. For granting currency for health treatment elsewhere it is a condition that the necessary treatment can be obtained neither in the sterling area nor in one of the countries listed above.

Our Contemporaries

THE ACCOUNTING REVIEW. (Menasha, Wisconsin.) (January.) 'Straight-line Method of Depreciation', by J. D. Campbell.

THE FEDERAL ACCOUNTANT. (Melbourne.) (November 1950.) 'Disclosure in Published Accounts.'

THE JOURNAL OF ACCOUNTANCY. (New York.) (January.) 'Choice of Inventory Methods Depends on Specific Needs of Each Business', by Maurice E. Peloubet, C.P.A.

Other Publications Received

MONEDA Y CREDITO. (Madrid.) (June 1950.)
PROGRESS. (Winter 1950–51.)
REVISTA DE CIENCIAS ECONOMICAS. (Buenos Aires.) (September–October 1950.)

OFFICIAL NOTICES

THE CORPORATION OF CERTIFIED SECRETARIES. – Appointments Register for Secretarial and Administrative Staff. Employers requiring Secretaries, Office Managers and Assistants are invited to communicate with the Secretary, Secretaries Hall, Fitzroy Square, London, W1. No fees charged.

British Electricity Authority
South Wales Division

PRINCIPAL ASSISTANT – INTERNAL AUDIT

Applications are invited for the position of a PRINCIPAL ASSISTANT in the Internal Audit Section of the Divisional Accountant's Department in the South Wales Division, with headquarters at Cardiff.

The salary for the appointment, which is superannuable, will be within Grade IX of the National Joint Council Agreement, i.e. £900, rising by increments of £40 to £1,020 per annum.

Candidates should have a recognized accountancy qualification, preferably with some experience of internal audit work.

Applications, giving full details of age, training, qualifications and experience, should be forwarded to D. Moffat, Director of Establishments, British Electricity Authority, British Electricity House, Great Portland Street, London, W1, to be received not later than March 9th.

Please quote reference AE/136.

Southern Gas Board
Northern Division

DEPUTY DIVISIONAL ACCOUNTANT

APPLICATIONS are invited from qualified accountants with experience in the gas industry for the post of DEPUTY DIVISIONAL ACCOUNTANT.

The successful applicant will be required to be responsible to the Divisional Accountant for the day-to-day running of the office, correspondence, consolidation of accounts and statistics, and the making of special statistical inquiries. Initiative, judgment and tact are required, in addition to accounting skill and a working knowledge of the industry.

Commencing salary £1,000 per annum.

The successful applicant will be required to pass a medical examination and, subject to existing pension rights, to subscribe to any scheme of superannuation which the Board may adopt in the future.

Applications, stating age, qualifications and full particulars of previous experience, including positions held, should be marked 'Deputy Divisional Accountant' and addressed to the undersigned to reach him not later than March 7th, 1951.

ALEXANDER TRAN,
Divisional General Manager.

Therm House,
St Aldate's,
Oxford.

The Accountant

ESTABLISHED 1874

MARCH 3RD 1951 VOL. CXXIV NO. 3976

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TOWN PLANNING AND ACCOUNTANCY

WE have pleasure in reproducing in this issue a booklet, published by the Institute, which gives an admirably clear summary of the financial aspects of the Town and Country Planning Act, 1947, and adds suggestions as to the way in which they ought to be dealt with in the accounts of the individuals and concerns affected.

As from July 1st, 1948, all development of land or buildings in Great Britain became dependent upon permission being obtained from the appropriate planning authority and a development charge being paid to the Central Land Board. Development is exhaustively defined in the Act; with certain exceptions it covers all physical alterations and all changes in the way in which the land is used. The charge is the measure of the increased value of the land as a result of the permission being given. Since landowners were thus deprived of their right to develop, they have collectively suffered a large but intangible loss, for which, provided that they made claims in due time, they may eventually be entitled to participate in a central fund to be distributed on arbitrary principles. Briefly, the land, taking it in its physical state as at July 1st, 1948, is valued twice, firstly on the assumption that it is free from the provisions of the Act, and secondly on the assumption that it is not. These valuations are taken a little further from reality by a provision that they are to be based on the prices ruling immediately before January 7th, 1947. The excess of the former valuation over the latter represents the owner's claim. Unless, however, he falls into one of the priority classes, he cannot expect to receive the full amount of his claim because the aggregate distribution for the whole of Great Britain is not to exceed £300 million, so that if the total claims exceed this sum, as they probably will, each claim, other than a priority claim, will abate proportionately. The distribution will take the form of Government stock, to be distributed on some date before July 1st, 1953, together with interest in cash, less income-tax, from July 1st, 1948, to the date of distribution.

Thus four items may fall to be considered when the accounts of any concern having an interest in land are prepared, viz. loss of development value, development charge, distribution from the fund, and interest thereon. Just what adjustment should be made in each case is a matter presenting nice problems of accountancy on which divergent views have been expressed. Here at last is an authoritative and reasoned statement which gives welcome guidance.

ATTACK ON ACCOUNTANTS

EVERYONE is familiar with the story of counsel who demanded of an innocent and inoffensive witness: 'Have you left off beating your wife? – answer yes or no'. Happily, tactics of this kind have long been discredited in our Courts, where justice is not merely a fine word in a politician's speech, but a goal to be genuinely striven for. We were reminded of the story, however, by a passage which appeared in an article in *Public Opinion* dated January 5th, 1951, headed 'How to catch the tax-dodgers', written by MR DOUGLAS HOUGHTON, M.P. The passage reads as follows:

> '*Finally*, it is high time that the accountancy profession – which has a vested interest in taxation – accepted a rigid code of professional integrity and public responsibility. It would also be a good thing if they would remove doubts concerning their professional standards. Accountants should neither deceive nor allow themselves to be deceived: they should never sign accounts for income-tax purposes which they would not themselves accept if they were in the place of the Inspector. If accountants are not there to safeguard the Revenue as well as to serve their clients honestly and fearlessly, they must expect to be regarded with suspicion, and even as aiders and abettors.'

The implication that the accountancy profession has not accepted a rigid code of professional integrity and public responsibility could hardly be wider of the mark. MR HOUGHTON's qualifications for making pronouncements on these matters are not revealed. He does not say who is supposed to have doubts about professional accountancy standards, nor what these doubts are. The statement that accountants should neither deceive nor allow themselves to be deceived adds little to the sum total of human knowledge. Accountants

> 'should never sign accounts for income-tax purposes which they would not themselves accept if they were in the place of the Inspector'.

Accountants do not 'sign' accounts, they sign a report on them showing the extent to which the accounts are accurate.

We cannot do better in commenting on this attack than to quote from a speech delivered by MR H. GARTON ASH, O.B.E., M.C., F.C.A., President of the Institute at the annual dinner of the South Wales and Monmouthshire Society of Chartered Accountants (reported elsewhere in this issue) held at Cardiff on the 21st of last month:

> 'We must of course ensure that the accounts which we report on are not only technically correct but disclose a true and fair view.
>
> 'In the petition for the Supplemental Royal Charter which was granted in December 1948, the Institute claimed – and I think had every justification for claiming – that it had pursued the objects of the Original Charter. And here I would like to quote you the words of the petition in which this claim was made. After referring to having pursued the objects of the Original Charter, it continued:
>
> > ' "and has aimed at the elevation of the accountancy profession as a whole and the promotion of its efficiency and usefulness by compelling the observance of strict rules of conduct as a condition of membership and by setting up a high standard of professional and general education and knowledge and has thereby secured for the community the existence of a class of persons well qualified to be employed in the responsible and difficult duties devolving on professional accountants."
>
> 'In view of that claim, which I find is universally acknowledged to be justified, it is somewhat extraordinary to read in an article on tax evasion written by a Member of Parliament in which, after putting forward certain proposals for catching the people he refers to as "tax dodgers", he ends his article with the following: [*Mr Garton Ash quoted the passage quoted above and continued*] I do not of course know the particular people to whom the writer refers. But this I do know: the Institute has always upheld and will continue to uphold the highest standards of professional ethics. And when any breach of these high standards is shown to have occurred, strong disciplinary action is taken against the delinquent.
>
> 'The authority of the Institute originates in the high standards of integrity which have been set and maintained during the past seventy years, and judging from the opinions of many responsible and independent men, including senior officials of the Inland Revenue, these standards are fully recognized as the hall-mark of a chartered accountant. The proof of the pudding is in the eating, and I suggest that if our integrity were not assured there would not be the demand there is today for the services of chartered accountants in independent positions of trust.
>
> 'The maker of these unsubstantiated innuendoes and assertions against professional accountants has the remedy in his own hands, namely, to report the alleged delinquent to the Council of the professional body concerned so that the allegations may be tested by proper inquiry. My remarks on this I am sure apply equally to the other recognized bodies of accountants.'

FINANCE FOR EXECUTORS

by A. R. ENGLISH, A.C.A.

An article discussing how the executor of an estate, the main asset of which is shares in an unquoted company, can raise funds for the payment of estate duty.

Importance of Small Businesses

At no time has the continued existence of the smaller trading unit been of such importance to the economic well-being of the country as at present. Although such businesses are invariably over-shadowed by the industrial giants, it should never be overlooked that of the 55,000 manufacturing firms in the United Kingdom at December 31st, 1949, over 49,000 firms employed less than 250 persons. These businesses, built up by the frugality of their founders, form an integral part of the commercial life of this country. The personal attention of the proprietors to daily matters produces a flexibility of service and rapidity of decision not often furnished by their larger competitors. The intimate relationship of employer and employee, often coupled with common local interest, has, in most cases, created employee goodwill of the kind never produced by impersonal negotiations between official bodies. A strongly individualistic approach to business characterizes the majority of such owners, who, by eschewing price fixing and similar arrangements, provide the competitive element this country's economy so badly needs.

Hidden Financial Weakness

By the prudence of their finance and, in particular, the abstinence of the shareholders in matters of dividends, most of such companies have weathered safely the financial storms of the past few years. The increased working capital necessitated by rising prices and the fixed capital required to finance modernization of factory and plant and machinery has been met by borrowings from banks, long-term finance corporations, insurance companies and the like. Despite this façade of stability, there is an element of weakness in many companies which may, at the worst, force the shareholders to put the company into liquidation.

Although a company is a person distinct from its members, in the case of many private companies the personal connexion between them is often so intimate that circumstances can arise when the company may be forced into liquidation to provide the funds with which to pay liabilities of its members. In no case can such circumstances be more pressing than on the death of a controlling shareholder.

Estate Duty on Death of Controlling Shareholder

It is often found that the controlling shareholder, by whose thrift a company has been built up, has by such prudence created a rod for the back of his executor, if not for himself. The ploughing back of profits has increased the value of his shareholding in the company and has precluded the building up of outside resources with which to pay the duty leviable at his death. The sale of a block of such shares by way of a public issue or placing can put the executor in funds. Unfortunately, the great majority of the companies of the class in mind has not the profit record and/or asset cover suitable for a public issue, and where this is not the case, still if the amount is relatively small, say, £20,000–£80,000, the cost as a percentage of money raised may be so high as to preclude this operation.

In the majority of these cases, the shares have to be valued for estate duty under the provisions of Section 55, Finance Act, 1940, and the company in question is one coming within the scope of Section 21, Finance Act, 1922. There may also be the question of a liability to estate duty falling on the company under Section 46, *et seq.*, Finance Act, 1940.

What, then, is the executor to do when he finds the estate of the deceased shareholder void of material outside assets and a substantial liability to estate duty computed, as required by Section 55, Finance Act, 1940, by reference to present-day values of the assets of a company in which the deceased, at some time during the five years preceding his death had control? Difficult as the executor's position is, it will be rendered even more difficult if the control has been lost during the intervening years, and how wide a meaning is given to 'control' can be best appreciated by reference to Section 55 (3), Finance Act, 1940, which reads as follows:

> 'For the purposes of this section a person shall be deemed to have had control of a company at any time if he then had:
>
> (*a*) the control of powers of voting on all questions, or on any particular question, affecting the company as a whole which if exercised would have yielded a majority of

the votes capable of being exercised thereon; or

(*b*) the capacity to exercise, or to control the exercise of any of the following powers, that is to say, the powers of a board of directors or of a governing director of the company, power to nominate a majority of directors or a governing director thereof, power to veto the appointment of a director thereof, or powers of a like nature;

or if he could have obtained such control or capacity by an exercise at that time of a power exercisable by him or with his consent.'

Liquidation of Company

Although the executor may find the shares control the company for the purposes of the section quoted, they may not give him sufficient votes to force liquidation as a means of securing funds. Even if liquidation can be enforced, the additional tax involved will reduce substantially the cash ultimately received by the members.

The liquidated company may well be faced with balancing charges, unless the sale of the assets, upon which wear and tear had been granted, takes place after the permanent discontinuance of the trade – Section 17 (1), Income Tax Act, 1945. If the company has received non-distribution relief, the return of capital in excess of nominal value will give rise to distribution charges. A certain relief from such charges, however, may be obtained if undistributed profits, prior to liquidation, are given the flavour of capital by way of a bonus issue of shares or debentures. Up to £50,000 such an issue does not require Capital Issues Committee consent; bonuses in excess of that amount must be referred to the Capital Issues Committee, who, in cases involving deceased estates, have been found to adopt a helpful attitude. However much the distribution charges are reduced, there is always the danger, owing to the operation of the cessation rules, that the income-tax assessments in the closing years may be less than the profits tax payable, with consequent loss of income-tax relief.

On the other hand, if the company's profits have shown steady increases during the last three years, the liquidation will give rise to additional income-tax charges. In addition, if the company is one falling under Section 21, Finance Act, 1922, the question of a direction to sur-tax in respect of the ultimate and penultimate accounting periods will arise. A small measure of relief may accrue to the company inasmuch that profits tax and sur-tax cannot be levied in respect of the same accounting period.

Payment of Large Dividends

When the executor is not in a position to force liquidation, or the facts as above-mentioned render it inadvisable, he has to look to other methods to secure the funds necessary to pay estate duty. A simple and obvious method, if the company has sufficient funds available, is to pay a large dividend in cash. Such a step will, of course, involve the company in a distribution charge which, of itself, will reduce the cash available and may involve the other shareholders in a heavy liability to sur-tax. Whether or not the cash so received by the deceased estate is available to meet a capital liability is dependent on the terms of the will and the destination of the residuary estate. If the residue falls immediately into the hands of a legatee, the provisions of the Sections 30–37, Finance Act, 1938, are applicable, and such dividend becomes the sur-tax income in his hands. The position is not quite so difficult, however, if there is a tenant for life. Then the apportioned part of the dividend in respect of the period up to the date of death is treated as capital in the accounts of the executorship and only the proportion of the dividend in respect of the period subsequent to the date of death will form part of the life tenant's sur-tax income. In this connexion, if all the income goes to the life tenant, it is to the advantage of the executor to attempt to secure that the company changes its year-end to the date of the deceased's death and so appropriate to capital all dividends received in respect of the period ending on that date.

Bonus Issues as a Means of Improving Marketability

Failing the steps above outlined, the only course open to the executor is to attempt to sell the shares privately, either to individuals, in small blocks, or to institutions willing to invest in unquoted shares. If these are equity shares with limited future potentiality, he may find this extremely difficult to do without involving the estate in a substantial loss. Under these conditions, the best course is to devise a scheme whereby the shares are divided in such a way that a class of investment more readily saleable emerges – such as debentures, secured or otherwise, or redeemable preference shares. If the company has the available balances on profit and loss or reserve accounts and the articles permit, there is nothing to prevent the issue of any of the above types of investment by way of bonus to the shareholders. In this connexion it should not be overlooked that provided the money has been spent in the correct manner, there is no objection

to the capitalization of the excess profits tax post-war refund reserve by way of a bonus share or debenture issue.

A bonus issue is not a distribution within the meaning of Section 36, Finance Act, 1947, so no question of a distribution charge can arise. In fact, as already mentioned, bonus issues can be a method whereby distribution charges on liquidation are reduced. In considering the relative advantages and disadvantages of debentures and shares, the accountant called in to advise the company will not forget that interest is a charge for profits tax purposes whereas preference dividends reduce the amount of non-distribution relief receivable. The House of Lord's decisions in *C.I.R. v. Blott and Greenwood* (8 T.C. 101) and *C.I.R. v. Fisher's Executors* (10 T.C. 302) left the shareholder free of any liability to sur-tax in consequence of the receipt of such bonus distributions. This comfortable position has been somewhat disturbed by the decision in *Aykroyd v. Inland Revenue Commissioners* (24 T.C. 515), although, perhaps, the circumstances of this case may not be of general application.

Direction to Sur-Tax

Although such bonus distributions may not attract sur-tax in the hands of the recipients, there is the danger that they may be cited as evidence in support of a direction to sur-tax under Section 21, Finance Act, 1922, especially if there have been large retentions of profits during the six years prior to the issue. In a statement in the House of Commons on July 22nd, 1948, the Chancellor of the Exchequer said:

'As my predecessor explained in Finance Bill debates on June 11th, 1947, it is not the practice in present circumstances to take action against a trading company under Section 21 in a bona fide case where the rate of dividend is the same as that which was accepted by the Special Commissioners as reasonable in previous periods, even though the company's profits may have increased. It is not necessary that there should have been any formal application to, or correspondence with, the Special Commissioners about the earlier periods. If, in fact, no directions have been made for the periods ending before June 1947, the company may assume that its action was regarded as reasonable. If, for special reasons, no dividend at all was declared in the periods before June 1947, and directions were not made by the Special Commissioners, they will not in present circumstances challenge the continuance of the company's policy. I must emphasize that this answer deals only with bona fide cases and will not apply where there are avoidance devices, such as the withdrawal of money from the company in the guise of capital.'

As the shareholders, after the sale of a bonus issue, are in possession of funds which, if paid to them by way of dividend, might have been subject to sur-tax, there is good reason for the Inland Revenue attempting to collect such tax by other means. In this connexion the closing words of the statement must be studied carefully. It would appear that the withdrawal of money in the guise of capital was only one of the avoidance devices the Chancellor had in mind. If this is the correct interpretation of the trend of his thoughts, a company making a bonus issue could not rely on the statement of July 22nd, 1948, as a defence against a direction. Fortunately for the taxpayer, the Chancellor's statement, as is often pointed out, has not the force of law, and before making a direction, the Special Commissioners must prove that the company has failed to make reasonable distributions of profits. Since the issue of bonus shares or debentures in no way depletes the company's resources, it would be difficult, unless there was other corroborative evidence, to substantiate a direction in respect of the years prior to the bonus issue. In fact, having regard to the wording of the proviso to Section 21 (1), Finance Act, 1922:

'Provided that, in determining whether any company has or has not distributed a reasonable part of its income as aforesaid, the Commissioners shall have regard not only to the current requirements of the company's business but also to such other requirements as may be necessary or advisable for the maintenance and development of that business.'

unless there have been very large accumulations of cash or realizable investments, the Special Commissioners would find it hard to justify a direction. Even if large bank balances or other cash assets have been amassed, the present uncertainty of trading conditions should enable most companies to produce sufficient evidence to justify such retention of funds. Therefore, other than in exceptional cases, it can be said that the issue of bonus shares in itself does not give rise to a serious danger to a direction to sur-tax, with, if the year 1947–48 is involved, the consequential liability in respect of the special contribution.

So much for the past. If the executor had in mind the sale of the bonus issue received by the estate to an institutional investor, to make them more attractive, he would have arranged for redeemable securities to be issued.

Any redemption provisions immediately raise the question of retention of future profits and here clause 1 (*a*) (iv), of Section 21, Finance Act, 1922, becomes of importance. This enacts that any sum applied

> 'in redemption or repayment of any share or loan capital or debt (including any premium on such share or loan capital or debt) issued or incurred otherwise than for adequate consideration'

shall be regarded as income available for distribution.

This clearly strikes at the redemption of a bonus issue and any company party thereto with annual redemptions starting immediately, would run into serious danger of directions in the future. In fact, any obligation to commence redemptions at any early date could be used by the Special Commissioners to refute the argument that the funds accumulated at the time of the issue were necessary 'for the maintenance and development of that business'. To avoid this risk, it is advisable to provide that bonus securities cannot be redeemed before the expiration of about twenty years. This spreads considerably the amount required to be retained annually to provide the funds necessary at the end of the period, and also gives time for the shareholdings to be so arranged that the company falls out of the Section 21 category before the sixth year prior to the redemption date has arrived.

Unless there had been a sur-tax clearance up to the date of the bonus issue, the purchaser would expect the shareholders to furnish indemnities against sur-tax and the special contribution in respect of the accounting periods prior to the date of the acquisition of the bonus shares. It is usually impossible to provide for indemnities in respect of subsequent periods and, therefore, the holders of the bonus securities should endeavour to arrange matters on the footing that the future dividend policy will not be so conservative as to bring down a Section 21 direction.

Estate Duty under Section 46

Although the company may have escaped any liability to estate duty under Section 46, *et seq.*, Finance Act, 1940, on the death of the shareholder in question, the prospective investor must look closely into the position of the living shareholders and loan creditors. The scope of Section 46 is very wide and by no means equitable. For his protection, the purchaser should secure that the company has indemnities from any person likely to bring the company within Section 46.

Conclusion

The difficulties besetting the executor of an estate holding large blocks of shares in private companies should never allow him to believe the problem insolvable and the dissolution of the businesses the only course to follow. In the generality of companies, the heavy liability to estate duty arising from ownership of shares is proof of the existence of businesses worth maintaining. Given painstaking ingenuity and a reasonable attitude on the part of the vending estate and the other members of the company, some scheme of financial reorganization can usually be evolved and an old-established company enabled to continue its prosperous way.

A LETTER IN THE JUNGLE

VALUE OF A POST-WAR-CREDIT CERTIFICATE

by J. W. SCOUGAL

SOAKED to the skin by days of incessant rain, we were on a high ridge of mountains in thick jungle country, resisting the enemy's persistent attempts to dislodge us from our position. The only approaches were by barely defined treacherous footpaths; the nearest point which a vehicle could reach was two days' journey away.

Our supply line was precarious and the infrequent arrivals of carrying parties were enheartening; they brought the bare necessities to keep us going – and occasionally some mail. Distribution of letters always took place first: for those whose names were not called it was a moment of intense disappointment which a pretence of indifference could ill conceal.

Anti-Climax

One day a carrying party arrived safely, bringing with it a full post-bag. I heard my name called and in happy anticipation stretched out a hand. There was only one letter. My joy was short-lived when I saw the envelope. It was clear that the contents were not likely to be couched in affectionate or even friendly terms. I opened it. Inside was a single communication of formal appearance which read:

> 'this is to certify that the undermentioned sum has been recorded in your favour as the post-war credit for the year ended April 5th, 1942, under Section 7 of the Finance Act, 1941.'

For a few moments I gazed at the thing in amazement. Already the paper had lost most of

its official crispness and the rain, dripping steadily from the trees above, was not improving its appearance. The words meant little to me; I had never heard of a post-war credit and the Finance Act, 1941, was to me a closed book. I consoled myself with the thought that at least it was money, a little more to spend on that leave I was going to have when all this was ended and we returned home.

So I stuffed it into my wallet and turned my mind to other matters – principally the prospect of a rum issue that evening! A few days later we left the place in a hurry, but I managed to hang on to my precious certificate.

Value of Memories

Now, six years later, I have it here, still complete – but only just: the edges are torn and frayed, while the numerous dark stains and faded print are evidence of the effects on Government paper of tropical sun and rain – to say nothing of 'blood, toil, tears and sweat!'

My appointed path has led me to the book which contains the Finance Act, 1941, and to delve into the mysteries of post-war-credit certificates. But the prospect of realizing my 'contingent asset' remains remote.

Perhaps, unlike some who might have told a similar tale, I may yet 'see my money'. But when the day comes, it may well be that the bond of memories will prove stronger than the desire for material gain and I shall be content to retain my certificate, with other relics, as a reminder of

'. . . old, unhappy, far-off things,
And battles long ago . . .'

Anyway, who can say what £9 10*s* 9*d* will be worth in 1986?

WEEKLY NOTES

The Association's Examination Results

The results of the December 1950 examinations of the Association of Certified and Corporate Accountants have now been announced and show that in the Final there was a total of 910 candidates, of whom 170 (42 per cent) passed Part I, the First Place and Prize being gained by Mr N. H. Smith, of London; 158 (38 per cent) passed Part II, First Place and Prize to Mr G. Smith, of Westcliff-on-Sea, and 22 (24 per cent) being successful in Parts I and II taken together – First Place being awarded to Mr S. G. Chedgey, of Southend, Essex – although of those who failed in this section, 27 passed Part I only.

In the Intermediate, 881 candidates sat, of whom 205 (23 per cent) were successful, the First Place and Prize being won by Mr E. Brown of Enderby, near Leicester. There were 39 candidates for the Preliminary with 23 passes (59 per cent).

A list of the successful candidates in all sections of the Final and a full summary of the results are printed elsewhere in this issue.

Cost Accountants' Examinations

In the December 1950 examinations of the Institute of Cost and Works Accountants, the results of which have recently been announced, there were 931 candidates for the Final, of whom 212 or 23 per cent were successful. The First Place, which carries with it the 'S. Lawrence Gill' Prize, was won by Mr B. K. Knowles, of London. He was also awarded the 'Donald L. Moran' prize for factory organization, and in addition, was bracketed with Mr N. E. Veale, of Swynnerton, for the 'Leverhulme' prize in costing. Mr Knowles, a New Zealander temporarily resident in this country for the purpose of widening his accountancy experience, is a Bachelor of Arts and a Bachelor of Commerce of the University of New Zealand; he is also a member of the New Zealand Society of Accountants and of the New Zealand Institute of Cost Accountants.

For the Intermediate examinations there was a total of 1,879 candidates of whom 335, or 40 per cent, passed Part I; 360 (46 per cent) passed Part II; and 67 (26 per cent) were successful in Parts I and II. The First Place was awarded to Mr C. K. Turner, of Brigg, Lincolnshire.

A list of successful candidates in the Final examination held in the 17 home centres, together with a complete summary of the results, appear on another page.

Directors on the Budget

The Council of the Institute of Directors has joined the petitioners in the ante-room of the Chancellor of the Exchequer. It has submitted a memorandum on the incidence of taxation on company directors – with special reference to the incidence of death duties and the level of directors' remuneration.

As arguments for retaining the entity of small director-controlled companies and for providing adequate incentives to those in a position to exert a potent influence on true risk-taking and enterprise, their remarks are difficult to refute. They point out at some length the effects of death duties when these involve a small company having to realize capital in order to pay them off. The need to realize the company's shares for this purpose, they say, takes no account of circumstances where a director has ploughed back profits to build up the company and is penalized at death by having these profits assessed for death duty. Nor is account taken on such occasions that the market for the shares of a small company may well be narrow and correspondingly depressed. They

suggest that the way to value such shares would be to take the distributed profits over a previous run of years as a basis.

Other of the council's recommendations relate to the somewhat stringent present definition of a controlling director under the Finance Act, 1947, and to the present limit of deductible income for controlling directors.

Framework for the Budget

The dimensions of the fiscal bill for the next Budget year are now becoming clear. Unless the Chancellor of the Exchequer is keeping drastic alterations for Budget day the outline of expenditure is now known. The total bill is going to be about three quarters of a million pounds higher than last year and the increases are not due entirely to the higher defence bill.

Last week, the civil estimates for the incoming fiscal year were published. They show an estimated outlay of £2,158 million (excluding stockpiling and certain defence expenditure by the Ministry of Supply) compared with £2,113 million this year. Tax collection will take £37 million against £34 million and the consolidated fund services will remain unchanged at £537 million. Thus on the year there will be an increase on all these items of £48 million.

Excluding stockpiling, which can be treated as a capital item and will cost about £143 million, the defence bill is likely to be about £1,300 million. This gives a total of civil and defence outlay of just over £4,000 million. Revenue this year is expected to come out at about £3,900 million. On the basis of next year's expenditure and this year's income there is therefore a gap before any account is taken of the size of the surplus on current account which it will be necessary to achieve to offset the Government's outlay on capital account. Last year the Chancellor felt it necessary to keep a 'conventional' surplus for this purpose of £442 million. The Chancellor's decisions on what capital expenditure to incur in the coming year are clearly going to have a most serious effect on the size of the increased burden on the taxpayer which will be revealed on a day early in April.

Taxation and Productivity

Although the rigid boxes and cartons team which toured the United States early last year under the auspices of the Anglo-American Council on Productivity has nothing to add, in its newly issued report, to the tributes paid by other teams to the efficiency of transatlantic costing and administration methods, it has an interesting reflection to offer on taxation. From their observation of the American scene, the members think that it is evident that taxation in the United Kingdom has passed its economic limit and are convinced that a reduction of taxation in this country would result in greater output and greater earnings for all. The amount of tax collected from each individual would be the same but it would represent a smaller proportion of his wages. The country would be more prosperous as production would be higher but, the team adds, as workers must have something on which to spend their earnings and some incentive to strive for, this additional production would have to go to the home market.

Copies of the report (2*s* post free) may be had from the office of the Anglo-American Council on Productivity, 21 Tothill Street, London, SW1.

Trend of Industrial Output

Some indication can now be obtained of the increase in industrial production in 1950. The figures are of much more than historical value at present for the increase in output which 1951 can add over that reached in 1950, if it can add anything at all, is going to be of critical value for reducing the impact of rearmament on exports and the standard of living.

To judge from the production series published by the London and Cambridge Economic Service, the increase of production last year was between 6 and 7 per cent. This was about the same improvement as the one recorded in the previous year. It is unlikely that the Index of the Central Statistical Office, when it is published for the whole of the year, will show quite such a uniform improvement over the two-year period. It may well show that last year recorded a larger advance than 1949. Be that as it may, the figures now available give a first hint of what may be in store for 1951.

December 1950 showed an increase of only 4 per cent on December 1949. It is an interesting question, which is by no means easy to answer categorically, as to whether this drop in the December increase below the level of the average increase for the year was fortuitous or was due to the onset of conditions which are likely to operate in 1951. It is possible to argue that the lack of certain raw materials which are going to be chronically scarce was already being experienced in the last month of the year.

The official estimate for increased production this year is 4 per cent. Such an advance will not be easy to bring about in a year which will see certain material shortages and dislocations due to switching over from civil to armament contracts. The increase has to be built upon an already high level of activity achieved last year.

Standardizing Customs Procedure

Three conventions have now been signed by a group of seven countries to standardize customs procedure. The first convention is concerned with the adoption of a standard classification of goods for the purposes of customs tariffs. The second is concerned with establishing the principles for the valuation of the imported goods on which tariffs are to be levied. The third sets up a Customs Co-operation Council to supervise the application of the two other conventions. The signatories to these conventions are the United Kingdom, Belgium, France, Greece, Iceland, Italy and the Netherlands.

FINANCE AND COMMERCE

Although Budget uncertainties are having some unsettling effects in stock markets the spate of increased industrial dividends keeps interest alive in equity markets. Business is rather below recent high levels but is still of fair volume.

Unwrapped Profits

We emphasized last week how important it is that preliminary profit statements should give the whole truth. It is necessary this week to add that the truth should be unwrapped. The case in point is the preliminary statement issued by the directors of Barrow Hepburn & Gale Ltd, the tanners and leather manufacturers.

This statement gave the profit position in the following manner:

'Net profit for the year £102,874 (previous £177,861), after charging depreciation £96,615 (£87,230), taxation £575,140 (£238,998), additional depreciation £86,353 (£74,989), stock reserve £250,000 (nil), general reserve £100,000 (nil).'

Set out in this manner, the statement wraps up the fact that there has been a very substantial increase in profits. How substantial the increase is can be worked out from the figures provided. It is all quite simple and no one need be misled by the wrapping up. But this still leaves the statement as published with 'net profit for the year £102,874 (previous £177,861)', surely a misnomer because a figure remaining after appropriations is past the net profit level, the view having moved lower down to the point where the narrative becomes 'balance remaining after appropriations', whatever the appropriations in question may be.

The Council of the Stock Exchange, believing rightly that preliminary profit statements have an importance comparable with that of the actual accounts, has, in collaboration with the accounting and secretarial bodies, laid down the minimum requirements of a proper statement. These requirements should be observed in the spirit as well as in the letter. Let these statements be plain and unwrapped.

Woolworth Accounts

The Board of F. W. Woolworth & Co Ltd, think the company's accounts – which we reprint this week – are best left in their present form. The actual publication is in the form of a double foolscap sheet which, opened out, gives on one single sheet, 13 inches by 16½ inches deep, the balance sheet at the top and profit and loss account below in one comprehensive view. There is much to be said for this form of presentation.

The Woolworth view is that 'it is a simple matter to trace items from, say, the profit and loss account or its attendant appropriation account through to the balance sheet' and, 'this easy reference is not readily obtained where the various accounts are set out on different pages'.

Apparently the question has been asked why the company's accounts are not presented in 'booklet form with illustrations in colour'. This style actually received thought and consideration more than three years ago but was not favoured for one reason because the directors feel that the single sheet view is more practical and for another, because the simpler form enables earlier presentation. Certainly Woolworth accounting is a model of promptitude. The directors' report is dated January 17th and the accounts were published in the Press on February 8th.

Whether one believes in the picture-book accounts or not, however, there is much to be said for the supplementary information which usually goes with the pictures. 'Lex', in the *Financial Times*, pointed out that the American Woolworth company provides ten-year graphs in colour relating the increase in total wages and expenses to the increase in sales; taxes paid and growth in working capital. Further, that while the English company starts with trading profit, the American company gives sales and expenses and net earnings per share as well as in total for a long series of past years.

Growing Revolt

The revolt is growing. Company chairmen are no longer accepting meekly a refusal by the Capital Issues Committee to sanction a capitalization of reserves. They are exposing the absurdity of the thing in their annual statements.

Mr H. C. Bell, the chairman of Bell & Nicolson Ltd, wholesale textile distributors of Birmingham, maintains that there is a case, unanswerable in reason and logic, for a substantial capitalization of reserves to bring issued capital more into line with capital employed. The balance sheet shows £100,000 of preference and £360,000 of ordinary capital, £263,356 in share premiums, and £450,000 in general reserve in a total of £1,528,083 for capital, reserves and surplus.

But the company has not succeeded in obtaining permission to reshape its capital position 'because Sir Stafford Cripps had given instructions to the Capital Issues Committee, which Mr Hugh Gaitskell has not yet seen fit to amend, that nothing of the sort should be allowed, unless it was "necessary to enable the company to continue or to expand its production or to increase the volume of its exports" '.

Mr Bell suggests that such an 'unrealistic and meaningless directive' must have been issued under pressure from 'doctrinaire economists'. No economist worthy of the description, however, could possibly imagine that a capitalization of reserves could expand exports.

Money Market

Applications for the £250,000,000 bills offered on February 23rd totalled £331,445,000 and the general allotment basis was 67 per cent at the maintained bid of £99 17*s* 5*d*. The average rate was 10*s* 3·04*d* per cent, and this week's offer is for £260,000,000. There is no Treasury deposit receipt call.

F. W. WOOLWORTH & COMPANY LIMITED Balance Sheet as at December 31st, 1950

1949 £	1949 £		£	£
		1. CAPITAL AUTHORIZED AND ISSUED:		
	5,000,000	(a) £5,000,000 6 per cent Cumulative Preference Stock	5,000,000	
	15,000,000	(b) £15,000,000 Ordinary Stock	15,000,000	
20,000,000				20,000,000
		2. REVENUE RESERVES:		
	2,500,000	(a) Development Reserve	3,000,000	
	1,500,000	(b) General Reserve	2,250,000	
	1,286,073	(c) Profit and Loss Account Balance after proposed Appropriations	1,498,848	
5,286,073				6,748,848
4,060,000		(b) Future Taxation: United Kingdom Income Tax (Schedule D) for year ending April 5th, 1952, payable on January 1st, 1952		4,370,000
		The amount reserved at December 31st, 1949, has been transferred to Current Taxation.		
		3. PROVISIONS:		
	1,300,000	(a) Obsolescence and Depreciation of Freehold and Leasehold Buildings	1,400,000	
		(b) Staff Benevolent and Pension Fund:		
	561,702	Balance at January 1st, 1950	541,098	
	200,000	*Add* Proposed Appropriation	250,000	
	761,702		791,098	
	220,604	*Deduct* Payments during 1950	249,610	
	541,098	Balance at December 31st, 1950	541,488	
1,841,098				1,941,488
£31,187,171				£33,060,336

1949 £	1949 £		£	£
		4. FIXED ASSETS:		
	9,072,066	(a) Freehold Properties including those in course of purchase and construction at cost	9,148,764	
	587,257	*Less* Aggregate amount written off ..	635,534	
8,484,809				8,513,230
	4,382,241	(b) Leasehold Properties including those in course of purchase and construction at cost	4,552,303	
	3,172,250	*Less* Aggregate amount written off ..	3,344,855	
1,209,991				1,207,448
	3,529,151	(c) Fixtures, Fittings and Furniture at cost ..	3,752,462	
	2,498,970	*Less* Aggregate amount written off	2,588,803	
1,030,181				1,163,659
10,724,981				10,884,337
		5. INVESTMENTS:		
4,141,135		British Government and Corporation quoted Securities at cost .. .. (Market Value at December 31st, 1950, £4,283,891)		4,141,135
		6. CURRENT ASSETS:		
	6,690,754	(a) Stocks at or under cost	10,015,166	
	413,012	(b) Amounts Receivable and Payments in Advance	629,703	
	7,000,000	(c) Tax Reserve Certificates	7,350,000	
	15,976,071	(d) Cash at Bankers and in hand	15,306,583	
	30,079,837	*Less*	33,301,452	
		7. CURRENT LIABILITIES:		
	3,810,000	(a) Income Tax for the year ending April 5th, 1951, payable on January 1st, 1951	4,165,000	
	1,565,345	(b) Profits Tax	1,925,433	
	5,375,345		6,090,433	
	6,114,687	(c) Creditors and Accrued Charges	6,907,405	
	2,288,750	(d) Proposed Dividend on Ordinary Stock ..	2,268,750	
	13,758,782		15,266,588	
16,321,055		8. NET CURRENT ASSETS		18,034,864
£31,187,171				£33,060,336

Notes.

War Damage Acts, 1941 and 1943: Agreed or anticipated Compensation has been included in Amounts Receivable in respect of war damaged properties upon which sums have been expended either in re-building or repairs. In other cases no account has been taken in respect of such damage in view of the Government's scheme for Compensation under the above Acts.

No value is attributed in the above Balance Sheet to the Company's holding in Subsidiary Companies. None of such Subsidiary Companies has any assets or liabilities and none has made any profits or incurred any losses.

There are outstanding Capital Commitments estimated at £390,000.

B. E. UFFINDELL, } *Directors.*
L. H. READ, }

Profit and Loss Account for the year ended December 31st, 1950

1949 £	1949 £		£	£
196,801		9. Amortization of Freehold and Leasehold Properties		202,456
100,000		10. Obsolescence and Depreciation of Freehold and Leasehold Buildings		100,000
171,114		11. Depreciation of Fixtures, Fittings and Furniture		194,275
		12. Directors' Emoluments:		
	65	(*a*) Fees..	60	
	168,035	(*b*) Remuneration for services and contributions paid by the Company under Pension and Life Assurance Schemes	189,811	
168,100				189,871
10,822,307		13. Net Profit before Taxation		11,768,410
£11,458,322				£12,455,012
		14. Taxation based on Profits of the year 1950:		
	4,237,247	(*a*) Income Tax	4,545,138	
	1,565,000	(*b*) Profits Tax	1,868,000	
5,802,247				6,413,138
5,020,060		15. Net Profit carried down		5,355,272
£10,822,307				£11,768,410
47,389		16. *Expenses of Capitalization of Revenue Reserve*		
		17. Proposed Appropriations to Reserves and Provisions:		
	500,000	(*a*) Development Reserve	500,000	
	750,000	(*b*) General Reserve	750,000	
	200,000	(*c*) Staff Benevolent and Pension Fund ..	250,000	
1,450,000				1,500,000
		18. Dividends paid and proposed: Paid during the year:		
	165,000	(*a*) On £5,000,000 6 per cent Cumulative Preference Stock less Income Tax at 9*s* in the £	165,000	
	618,750	(*b*) On 60,000,000 5*s* units of Ordinary Stock (Interim) at 9*d* per unit less Income Tax at 9*s* in the £	1,237,500	
	783,750		1,402,500	
		Proposed dividend to be paid on March 3rd, 1951:		
	2,268,750	(*c*) On 60,000,000 5*s* units of Ordinary Stock (Final) at 1*s* 4½*d* per unit less Income Tax at 9*s* in the £	2,268,750	
3,052,500				3,671,250
1,286,073		19. Balance carried forward		1,498,848
£5,835,962				£6,670,098

1949 £	1949 £		£
11,266,985		20. Trading Profit	12,259,819
191,337		21. Interest on Investments, Tax Reserve Certificates and Bank Deposits	195,193
£11,458,322			£12,455,012
10,822,307		22. Net Profit before Taxation	11,768,410
£10,822,307			£11,768,410
5,020,060		23. Net Profit brought down..	5,355,272
13,870		24. Over-provision for Taxation in previous year..	28,753
	8,302,032	25. Balance brought forward from last Account ..	1,286,073
	7,500,000	*Less Amount Capitalized by Resolution of Stockholders*	
802,032			
£5,835,962			£6,670,098

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Accountants' Salaries

SIR, – I offer no apologies for again bringing to the notice of your readers, particularly those of them who happen to be practising accountants, the subject of the salaries which should be paid to qualified accountants employed in the profession.

For some time now the leaders of the profession have been indicating in their speeches at various times and on various occasions, their concern at the large number of their fellow members of the main bodies of accountants who are leaving employment within the profession and taking up appointments in industry, commerce or government.

There is, to my mind, and to the minds of many other qualified men employed in the profession, no likelihood of this drift being stopped until salaries in the profession are increased considerably, by about $33\frac{1}{3}$ per cent to 50 per cent to do any real good. This state of affairs exists to a much greater extent in some parts of the country than in others. The West Riding of Yorkshire happens to be that part of which I have the greatest knowledge, but I have no doubt there are others.

It is quite usual, in the West Riding, for qualified senior assistants to receive no more than between £400 and £500 per annum, even where they have had over ten years' experience since qualifying. When these men, in the course of their duties, see regularly instances of people in other occupations, which do not make as much demand on their brains or take so long in which to become proficient, receiving salaries often as much as 50 per cent more than their own, it is no wonder that they become unsettled, and accept offers to leave the profession at enhanced salaries whenever such opportunities occur.

At the present time it is extremely difficult for senior assistants receiving such small salaries to make ends meet if they have wives and families, and to keep up an appearance appropriate to a member of a great and honourable profession.

The worst sufferers are those who are aged between 35 and 45, who are often barred from the opportunities which are open to the younger men. These men in most cases qualified in the nineteen thirties when such chances were few and far between, and were the subject of intense competition. Indeed, almost any post was then. When the war came these men were either called into the Armed Forces or tied to the positions they then held, until the emergency ceased. Now they find themselves, as I have already mentioned, frequently barred from the best opportunities on account of their age.

Finally, perhaps I may say that if these senior assistants do not receive adequate remuneration they are not in the best position to deal on equal terms with many of the officials with whom they meet in the ordinary course of their duties.

I am, Sir, Yours faithfully,

WRACA.

The Purpose of the Balance Sheet

SIR, – Had I realized as fully as I have since reading Mr Rose's letter in your February 24th issue that he had no constructive suggestions to offer, I should have dealt more briefly with his first letter. The very tenacity with which he defends existing practices seems to me adequate evidence that he is arguing in support of the present anomalous position. Discussions on points of detail will not get us much further, especially as in my paper I suggested that it was the balance sheet as a whole which defied explanation, though some of the constituent figures may have a meaning in themselves.

Nevertheless, the four points raised by Mr Rose are not particularly happy choices; the very fact that the balance sheet is prepared as a statement of stewardship must create some uneasiness regarding the way in which some of the figures are compiled. To say that the balance sheet is used for many other purposes is no justification for spoiling it for its main purpose. Incidentally, the alternative uses mentioned by Mr Rose would not in any way be disturbed by the suggestions I made and it is, as a matter of fact, my experience in explaining accounts to employees which first led me to consider how the balance sheet could be made intelligible to the layman. It is a solemn fact that the people for whom accounting statements are prepared do not understand them and I feel it is the duty of the profession to rectify this failing.

I cannot think that anybody should have to go back through the balance sheets for possibly twenty years to find out what should be stated in the balance sheet he is looking at; if it is possible to state stocks 'at cost' it should be possible to decide what stocks are 'under cost'; to state debts 'at cost' (though I did not strongly advocate this) should present difficulties to nobody familiar with consignment accounts.

Mr Rose introduces the question of price levels amongst the 'inherent difficulties and complications'. To my mind, price levels are irrelevant to the balance sheet and the inherent difficulties and complications are already there; I feel that we should devote more energy and thought to removing them. I would again suggest that the solution is to be sought in regarding the balance sheet primarily as a statement of the source and investment of funds and to state the figures in the balance sheet on this basis.

Yours faithfully,

London, EC1. E. H. DAVISON.

Refund to Purchaser for Returned Article

SIR, – In answer to Mr A. S. Collinson's letter in your issue of February 17th, 1951, I think he will find the solution to his problem if he follows the transaction as shown below:

	Dr. £	s	d	Cr. £	s	d
Personal account .. Dr.	50	0	0			
To Sales account				50	0	0
Being the sale of the article.						
Cash .. .. .. Dr.	48	15	0			
Discounts allowed .. "	1	5	0			
To Personal account ..				50	0	0
Being the cash received and discount given for the article.						
Sales returns .. .. Dr.	50	0	0			
To Personal account ..				50	0	0
Being the return of the article.						
Personal account .. Dr.	1	5	0			
To Discounts allowed ..				1	5	0
Being the discount given on the sale which must now be disallowed.						

In other words, the correct amount to place to the customer's credit is £48 15*s* 0*d*, i.e. £50 less 2½ per cent discount. At the same time the 'sales' are reduced by £50, and the 'discounts allowed' reduced by £1 5*s* 0*d*.

Where, however, the sales account is actually a net sales account, i.e. showing sales less discount, the customer's account is still credited with £48 15*s* 0*d* on the return of the article, whilst the corresponding entry is a debit of £48 15*s* 0*d* direct to the sales account.

If similar entries are made in future for returned goods on which discount has been given, I think the problem will resolve itself and that Mr Collinson will have a footing for permanent future action.

Yours faithfully,
STANLEY S. WHITMORE.

Redhill, Surrey.

Fixed Assets and Inflation

SIR, – Mr A. R. Andrew, in your issue of January 27th last, asks me whether preference shareholders who have already lost half of their capital through inflation should be deprived of their dividend 'in order to ensure that the value of the ordinary shareholders' investment was maintained in real terms'. My answer to the question, as he puts it, is undoubtedly yes; and this affirmative could be supported by noticing that (*a*) in time of deflation, the charging of depreciation on current cost could provide dividends for preference shareholders under Mr Andrew's hypothesis when a historical cost charge would not; (*b*) preference shareholders have, in the United Kingdom at any rate, escaped the incidence of profit taxes.

I think, however, that these points are as irrelevant as Mr Andrew's question is unfairly put. Is not the dominant consideration in the accountancy service to industry the maintenance of its long-term health in which the preference shareholder is as vitally interested as the ordinary shareholder, the worker and the nation? I am ready to agree with Mr Andrew that there is an equitable case for revaluing the interests of preference and other fixed interest stockholders. I fail to see, however, why the existence of this case should deter accountants and economists from pursuing a line of depreciation accounting which tries to measure up to the problem of changing prices. Whether he relishes it or not, the industrial accountant of today must face economic realities – including directors who rightly want explanations of things like depreciation charges so long served up with orthodox sauce under the cover of the canons of accountancy.

Mr Andrew objects to a depreciation charge being doubled 'because of the movement of a price index, although production had remained at the same level'. If prices have doubled, the sales value of production will have gone up and profits before charging depreciation increased. A director unmystified by canons of accountancy is just as likely to ask in these circumstances why profits have gone up when production has not, as he is to ask why should the depreciation charge be doubled. Is it not necessary to set against a yield of sales unexpectedly doubled by price changes a depreciation provision similarly modified if any rational judgment is to be made as to the outcome of the expectations held when the original investment in fixed assets was made?

The term 'quantum of assets' in my article was set in contrast to a consideration of individual fixed assets. I meant the computation of depreciation provisions on ordinary lines providing global sums for each year's total purchase of fixed assets. These global sums are susceptible of revaluation by reference to general price indices; and, to my mind, the calculation of replacement prices individually for even each main type of plant, misinterprets the essential nature of depreciation provisions on which point to save you space, sir, may I refer Mr Andrew to my letter in your issue of December 30th, 1950, under 'Is accounting really necessary?'

Yours faithfully,
Dublin. A. PAKENHAM-WALSH.

Directors' Fees: Tax Overpayment

SIR, – In reply to your correspondent Mr L. J. Scutt (February 3rd issue), I have had a similar experience to the difficulty regarding directors' fees.

In my particular case, the fees are paid half-yearly, and the difficulty arises where the company pays only one half-year's fees during a full fiscal year. This causes an underpayment of tax for that particular year. On contacting the Inspector, he stated that the only way of correcting the position was for three half-yearly payments to be made during the following fiscal year – this I was able to arrange.

I cannot quite understand why Mr L. J. Scutt wishes the code number to be altered, as, although in fact the directors in question did not receive fees in one particular fiscal year, and received two years' fees during the following fiscal year, they were, in

theory, charged tax on the two years separately by the Inspector – earned income and personal allowances still being allowed for each year. The 'Notice of assessment and statement of tax underpaid and overpaid' for the two years in question should show the true position.

The only time that an underpayment of tax can persist is where a whole year's payment of fees has been missed and never corrected by having two years' fees paid in one fiscal year; likewise, an overpayment of tax can only persist where two years' fees have been paid in one year and all subsequent years show a payment of fees. Neither circumstance appears to apply in the present case.

Yours faithfully,
Brockley, SE4. L. REYNOLDS, F.P.C.A.

Medical Practices: Partnership

SIR, – A problem has arisen out of the facts given below and I shall be obliged if any reader can give advice as to the proper manner of dealing with the matter.

A., B. and C. were in partnership as medical practitioners up to April 5th, 1950. The partnership deed laid down a basis of sharing fees and further, that each partner should provide his own house, car, servants, etc. On the basis of accounts to December 31st, 1949, and expenses of each partner to that date, the normal 1950–51 assessment would have been arrived at thus:

	Total	*A.*	*B.*	*C.*
	£	£	£	£
Gross Fees ..	8,000	3,000(⅜)	3,000(⅜)	2,000(¼)
Less Expenses borne individually ..	1,900	900	600	400
	£6,100	2,100	2,400	1,600

Separate banking accounts were kept by each partner and a separate expense schedule for each was prepared.

On April 5th, 1950, D. was admitted as a partner and no cessation claim was made. He too has a house, car, servants, receptionist, etc., and took up residence therein in May 1950. No account of expenses is at present available, though it will be possible to ascertain D.'s expenses to April 5th, 1951, by the end of April 1951. The gross fee sharing ratio from April 5th, 1950, onwards is: A., 6/20ths; B., 6/20ths; C., 5/20ths; D., 3/20ths, and it is not intended to change the year end from December 31st. Accounts will be prepared for the year to December 31st, 1950, in due course.

I shall be greatly obliged if any practitioner can give a fair and acknowledged basis for the division of the 1950–51 assessment between the partners in these circumstances.

Yours faithfully,
ARTUROS.

Superannuation Contributions

SIR, – Practitioners handling the affairs of doctors and dentists may well have encountered difficulty in dealing with superannuation contributions deducted on payment of remuneration. This arises because of variations in rates of remuneration made retrospective and the inability of clients to preserve the pay-chits which often take the form of an almost unintelligible slip of paper about ¾ in. by 15 in.

It would appear that much trouble and delay could be saved if the various medical authorities issued on April 5th in each year a certificate to the doctor or dentist showing clearly what superannuation had been deducted in the fiscal year. This would be particularly useful where the accounting year does not coincide with the fiscal year, especially for year-ends like June 30th and September 30th.

Alternatively, the Revenue might allow practitioners to bring in to credit net receipts in the accounts having regard to the fact that the superannuation contributions are deducted from the assessment.

Yours faithfully,
Chelmsford, Essex. ROBERT BARLOW.

Redeemable Preference Shares

SIR, – Authorized capital of a private company includes £2,400 redeemable preference shares, to be redeemed in accordance with articles not later than October 1950. £2,000 were issued and £1,600 were redeemed by 1943, the usual capital reserve account being created. Remaining £400 not yet redeemed and holders are content with the position. The company now requires additional working capital.

The following questions arise: (1) If the redeemed shares are reissued, as the redemption date has passed, must they first be converted into some other class? (2) Must the £400 still not redeemed be redeemed? (3) Must the balance of the nominal amount £400 not issued originally be converted to some other class before issue?

There would be apparently no additional stamp duty as the nominal capital would not be increased. A return of allotments presumably would be required.

Yours faithfully,
ENQUIRER.

Rehabilitation Costs

The following sentence appeared in the letter under this heading signed with the *nom de plume* 'Logic' in our issue of February 24th, 1951:

> 'In the case in mind, through an oversight, a formal claim was made under Section 37, Finance Act, 1946, as amended by Section 78, Finance Act, 1948, before March 31st, 1949.'

Owing to a printer's error, the word 'not' was omitted; this sentence should have read:

> 'In the case in mind, through an oversight, a formal claim was not made under Section 37, Finance Act, 1946, as amended by Section 78, Finance Act, 1948, before March 31st, 1949.'

THE TOWN AND COUNTRY PLANNING ACT, 1947

Notes on the Accounting Implications of the Act

In response to requests from members of the Institute these notes are issued by the Council of The Institute of Chartered Accountants in England and Wales as a broad statement of the main changes brought about by the Town and Country Planning Act, 1947, and as a tentative indication of the accounting implications of those changes. Paragraphs 1 to 22 of these notes have been approved by solicitors, but they do not purport to be a detailed explanation of the Act and the numerous regulations made thereunder. Experience of the effects of the Act is still limited and must remain so until the practical consequences of some of its major provisions are clarified. It is, however, hoped that the suggestions made in these notes will be of assistance to members of the Institute who may have to consider the accounting implications in practice; it is emphasized that the notes do not deal with the treatment for taxation purposes of the losses and charges arising out of the Act.

General Effect of the Act

(1) The Town and Country Planning Act, 1947, has materially affected land values and development rights. The administration of the Act is in the hands of the Central Land Board and the local planning authorities. The Central Land Board is concerned with claims arising out of the loss of development rights and with charges imposed on development; the local planning authorities are concerned with the granting of permission to carry out development. The Minister of Town and Country Planning has authority overriding both the Central Land Board and the local planning authorities; he is empowered to hear appeals, to make regulations and orders of many kinds and he may supplement these by issuing directions.

(2) These notes are directed primarily to the accounting implications of the main changes brought about by the Act. They must not be regarded as a summary of the Act and the regulations made thereunder, but as an attempt to indicate the new position in greatly abbreviated form, avoiding legal technicalities and eliminating all matters which appear to have no direct relevance to accounting. To a large extent the administration of the Act is controlled by statutory regulations and it is therefore important that reference should be made to the current regulations, as well as to the Act, in considering any specific circumstances. Explanatory leaflets and booklets are issued by the Central Land Board to be read in conjunction with the Act and the regulations. In cases of doubt legal opinion may be necessary.

'Land' and 'Development'

(3) Special meanings attach to various expressions used in the Act and regard must therefore be had to the definition section. In particular the meanings of 'land' and 'development' for the purposes of the Act are important:

Land means not only land in the ordinary sense but also buildings on the land and all mineral substances on or under it.

Development means the carrying out of building, engineering, mining or other operations in, on, over or under land, or the making of any material change in the use of any buildings or other land.

(4) The meaning of 'development' is thus extremely wide and unless the Act is well understood there is a danger of an offence being committed through failure to realize that a particular operation may constitute development; for example, subject to the provisions of Sections 31 and 32 of the Act, the use for the display of advertisements of any external part of a building which is not normally used for that purpose is deemed to be a material change of use (Section 12 (4)) and is therefore development.

Loss of Development Value

Nature of the loss

(5) Land capable of further development on July 1st, 1948, had a higher value (the unrestricted value) before July 1st, 1948, than it has after that date (the restricted value). Both values are based on prices ruling immediately before January 7th, 1947 (the date when the provisions of the Bill became known). In general, therefore, any owner of land has lost the excess, if any, of the unrestricted value over the restricted value. If a claim (on form S.1) for loss of development value was made on or before June 30th, 1949 (December 31st, 1949, in the case of mineral undertakings), the loss suffered will be diminished by whatever distribution is eventually received from the £300 million central fund.

Distribution from the central fund

(6) It is the responsibility of the Treasury to formulate a scheme to distribute the £300 million central fund, which will first be apportioned between land

The Council has decided to distribute these notes to all members of the Institute. A limited number of additional copies has been printed and will be supplied without charge to students or other persons interested, on application to the offices of the Institute.

in England and Wales and land in Scotland. The scheme will then make provision for settling the destination of the apportioned sums having regard to the claims lodged by individual applicants. The Treasury is empowered to take into account the interests of mortgagees, rent chargees and other persons with priority interests in the land. The nature of the scheme formulated by the Treasury may therefore be of vital importance to such persons in its effect on the value of security given in respect of loans made by them.

(7) The distribution from the central fund will in general be in the form of government stock at some time before July 1st, 1953, but it is at present impossible to ascertain how much will be received because:

(*a*) the central fund is a fixed sum whereas the total amount of the claims against the fund is not yet determined.

(*b*) The nature of the scheme to be formulated by the Treasury is unknown.

(*c*) Certain claims, the amount of which is not yet known, will be settled in priority to others. These are mainly claims in respect of 'near-ripe land', mineral substances and 'single plots'.

'Near-ripe land'

(8) In the case of 'near-ripe land' a registered builder may obtain priority for such part (known as his 'ration') of the land held by him on January 7th, 1947, and (with certain exceptions) still held by him on July 1st, 1948, as is equivalent to the acreage he developed between 1934 and 1938 inclusive, provided an S.1. form was submitted on or before June 30th, 1949, and form S.1./N.R. was lodged within three months of its being issued to the claimant by the Central Land Board. Broadly speaking, the builder will be entitled to receive from the £300 million central fund a payment equal to the development value of his 'ration'; and in so far as he develops the land before January 1st, 1953, he may set-off the 'development charge' against the sum due to him out of the central fund.

(9) The Central Land Board also considers applications for 'near-ripe' treatment from:

(*a*) Non-registered builders who were in existence on January 7th, 1947, and on July 1st, 1948, but who for some good reason were not then registered.

(*b*) Developers of housing and industrial estates who, although not builders, can satisfy the Central Land Board that it is their practice to assume full practical and financial responsibility for the construction of the buildings on their land (which they owned freehold or leasehold before the buildings were erected) and for the sale and letting of the buildings when completed.

In these cases also an S.1 form must have been submitted in the normal way on or before June 30th, 1949.

Mineral substances

(10) It is understood that a scheme will shortly be announced regarding minerals which were held by a mineral undertaker, either freehold or under a mining lease or licence, on July 1st, 1948, and minerals in respect of which a mineral undertaker was on that date under binding contract to purchase or take a mining lease or licence. Such minerals are likely to be treated on a 'near-ripe' basis, whereby in general the development charge on minerals for which planning permission is granted will be taken as equalling the sum due on the claim or claims on the £300 million central fund, so that no development charge will be paid and no payment will be made out of the central fund.

'Single plots'

(11) Priority of settlement from the central fund may also be obtained by a person who has purchased a single plot for the purpose of erecting a dwelling-house for his own occupation, where the purchase was completed or a binding contract was signed before July 1st, 1948, provided an S.1 form was lodged on or before June 30th, 1949, and building commences before January 1st, 1953. As in the case of 'near-ripe land', settlement of single plot claims will be by set-off of the full loss of development value against the development charge which arises when building permission is obtained. In the House of Commons on November 7th, 1950 (*Hansard*, column 34), the Chancellor of the Exchequer stated that the date January 1st, 1953, 'was selected because the £300 million has to be distributed before July 1st, 1953, and a few months will be needed for the administrative arrangements. The claims of single plot owners who cannot start to build by January 1st, 1953, will receive further consideration when the scheme for distributing the £300 million is being prepared'.

Persons entitled to receive the distribution

(12) Whether an amount of government stock will in due course be issued out of the central fund in any particular case will depend on:

(*a*) Whether a claim was lodged before the prescribed date; in the case of land purchased since July 1st, 1948, the vendor was the person to lodge the claim.

(*b*) Whether there is priority of settlement (*paragraphs* 8 *to* 11).

(*c*) Whether the claim exceeds the minimum laid down by the Act. No payment will be made unless the development value exceeds the average of £20 per acre and one-tenth of the restricted value.

(13) In addition to the foregoing considerations the question of whether or not there has been an assignment arises in considering whether or not the stock will be received by a particular party. The person or persons primarily entitled to receive the

stock are those who held interests in the land (freehold or leasehold) on July 1st, 1948, and not purchasers of the land subsequent to that date unless the seller's claim on the central fund was included in the purchase contract. The right to receive the stock, or part of it, is (subject to such notice to the Central Land Board as may be prescribed by regulations) transmissible by assignment or by operation of law as personal property (Section 64 (2)).

Interest on the distribution

(14) Interest on the amount of any payment from the central fund will be paid in respect of the period from July 1st, 1948, to the date of issue of the stock. Such interest will be paid in cash by the Central Land Board under deduction of income-tax.

Additional payments in cases of war damage

(15) Pursuant to Section 59 of the Act, the Treasury has made a supplementary scheme providing for additional payments to compensate for the loss of development values in cases where value payments have arisen under the War Damage Act, 1943. Broadly, the effect of the scheme is that where a value payment in respect of war-damaged property has been calculated on the assumption that the owner retains a development value in the land (of which but for Section 59 he would be deprived without compensation) he is entitled to be compensated for the loss suffered, by receiving a payment under the supplementary scheme. In these cases the payments will not come out of the central fund and will be made in cash. Interest on the compensation payments will be paid, at a rate to be prescribed by the Treasury, in respect of the period from July 1st, 1948, to the date of payment.

Claims against local planning authorities

(16) Apart from any claim on the central fund or under the supplementary scheme, a claim may also lie in certain circumstances against the local planning authority. Section 20 enables claims to be made against the local planning authority for compensation for depreciation in the value of the interest in the land in certain cases of refusal of planning permission or the granting of permission subject to conditions. Section 27 enables similar claims to be made in certain cases where an order is made requiring the discontinuance of the use of land or where conditions are imposed on the continuance of any use or where the removal or alteration of any buildings or works is required. Sections 22 and 79 enable claims to be made against the local planning authority for compensation for abortive expenditure or other loss or damage in certain cases where expenditure on work already begun is lost by reason of the development not being allowed to continue or where permission is revoked or modified. In the case of Sections 22 and 27 the owner of the land may have the alternative remedy of serving a purchase notice on the appropriate local authority.

Development Charge

Nature of the charge

(17) Subject to various exceptions, the Act requires planning permission to be obtained for any development. If permission is granted a development charge must usually be paid to the Central Land Board, the development charge representing the full increase in the value of the land which follows from obtaining planning permission. This means the excess of the value with development permission over the existing use value, *not* over the price paid for the land. As stated in paragraphs (8) to (11), development charges may in certain cases be set-off against claims on the central fund.

Exemptions from development charge

(18) Certain operations and changes of use which would fall within the definition of development are (by Section 12 of the Act and by regulations) deemed not to be development and therefore require no planning permission and attract no development charge. Moreover, certain other developments are (by the Third Schedule to the Act and by regulations) expressly exempt from development charge and many of these are to some extent deemed by regulations to be 'permitted development' and therefore to that extent require no planning permission. It should, however, be borne in mind that development has two aspects – a change of use and a building operation. It follows that a change of use which is exempt may involve a building operation which is not and vice versa.

(19) The following are examples of operations and changes of use which are deemed not to be development:

(*a*) Any land can be used for agriculture or foresty (agriculture includes husbandry, market gardens, nursery grounds and fruit-growing) and any buildings occupied together with the land used for these purposes can be used for these purposes.

(*b*) Any land and any building within the curtilage of a dwelling-house may be used for any purpose incidental to the enjoyment of the dwelling-house as a dwelling-house.

(*c*) Any land can be used for any purpose for which it was used on July 1st, 1948, and where on that date any land was used temporarily for some purpose other than the purpose for which it was normally used, the normal use may be resumed; provided that such use was not in breach of previous planning control within the meaning of Section 75 of the Act.

(*d*) Land used for a purpose falling within any general class specified by the Minister may be used for any other purpose falling within the same general class.

(*e*) Land unoccupied on July 1st, 1948 (except land unoccupied on January 7th, 1937, which has not been occupied since that date) may be used

for the purpose for which it was last used, provided that such last use was not in breach of previous planning control within the meaning of Section 75 of the Act.

(*f*) The interior of buildings may be altered so long as the operation does not materially affect the external appearance of the building.

(20) The following are examples of development which does not attract a development charge:

BUILDING OPERATIONS. (In all these cases planning permission is required in certain circumstances.)

(*a*) Rebuilding, enlargement, alteration of any building, provided that the cubic content of the original building is not exceeded in the case of a dwelling-house by one-tenth or 7,500 cubic feet whichever is the greater and in the case of any other building by one-tenth.

(*b*) Erection or alteration, within the curtilage of a dwelling-house, of sheds and huts (other than garage or stable) required for purposes incidental to the enjoyment of the dwelling-house as such (for example, for keeping poultry, bees, pets).

(*c*) Erection of gates, fences, walls.

(*d*) Carrying out on agricultural land of any building or other operations (other than alteration of a dwelling-house) requisite for agricultural purposes.

(*e*) Installation or replacement of plant, pipes or cables, by industrial undertakers.

CHANGES OF USE. (In all these cases, except item (*h*), planning permission is necessary.)

(*f*) Use as any number of separate dwellings of not more than three adjacent houses each of which was used as a single dwelling-house on July 1st, 1948 (or which complies with certain other conditions).

(*g*) Land occupied and used as to part only for a particular purpose may be used for that purpose up to an additional one-tenth cubic content of the part originally so used.

(*h*) Change to use as a light industrial building from use as a general industrial building.

(*i*) Use as a shop of part (not more than 200 sq. ft. floor space) of a dwelling-house, the shop use to be combined with the residential use.

(*j*) Use of a dwelling-house as hospital, home, clinic, surgery, museum, concert hall, non-residential club or other similar uses specified in regulations.

BUILDING OPERATIONS AND CHANGES OF USE

(*k*) The carrying out of operations or the use of any land for the display of advertisements. (Planning permission required.)

(*l*) Temporary use for not more than twenty-eight days in any calendar year for any purpose and the erection or placing of moveable structures on the land for that purpose. (Planning permission not required.)

(21) Exemption from development charge may also be obtained in the case of certain special classes of land, thus:

(*a*) Land held on July 1st, 1948, by a local authority for the purposes of any of its ordinary statutory functions.

(*b*) 'Operational land' held on July 1st, 1948, by 'statutory undertakers' (as defined in Section 119).

(*c*) Land held on July 1st, 1948, by ecclesiastical or charitable organizations provided the land is actually used for charitable purposes or occupied by the charity; but not in the case of land held for investment.

(*d*) 'Dead-ripe land', meaning land which the Minister certifies as ripe for development before July 1st, 1948. Where a 'dead-ripe' certificate is issued no development charge arises whoever may eventually undertake the development. If a certificate is refused no claim on the central fund may be made unless an S.1 form was lodged on or before June 30th, 1949. Application for a certificate had to be made before July 1st, 1949, on form L.R.D.1, the conditions being:

(i) That the development value is wholly or mainly due to the prospects of the development in question.

(ii) That in the ten years before January 7th, 1947, either a building contract, or building bye-law submission or a building application had been made and was still in force on July 1st, 1948.

(iii) That planning permission is granted.

Payment of development charge

(22) Section 71, relating to the payment of a development charge, is of particular relevance in connexion with accounting matters. The section is reproduced below and it will be noted that subsection (4) makes important provisions affecting trustees.

'71. – (1) The amount of the development charge payable under this Part of this Act in respect of the carrying out of any operations or in respect of any use of land may be determined either as a single capital payment or as a series of instalments of capital, or of capital and interest combined, or as a series of other annual or periodical payments, of such amounts, and payable at such times, as the Central Land Board may determine after taking into account any representations made by the applicant.

'(2) Except where the development charge is determined as aforesaid as a single capital payment which is then discharged, the Central Land Board may require the applicant:

(*a*) To enter into such covenants as they may direct for the payment of any sums payable by virtue of the determination (whether with or without interest in default of due payment);

(*b*) To give such security, as they may direct (whether by way of a charge on the interest of the applicant in the land or otherwise) for the payment of any such sums as aforesaid:

Provided that notwithstanding anything in this section or in any requirement of the Board thereunder, any person for the time being interested in the land may at any time discharge any outstanding liability for sums payable by virtue of the determination by the payment of such amount as may be determined by the Board to represent the value of those sums subject to such discount as they consider appropriate.

'(3) Where the amount of a development charge as determined by the Board has been discharged or any such requirement as aforesaid has been complied with, or where the Board determine that no such charge is to be paid, the Board shall, if so required by the applicant, issue their certificate to that effect.

'(4) The purposes authorized for the application of capital moneys:

(*a*) by section seventy-three of the Settled Land Act, 1925, and by that section as applied by section twenty-eight of the Law of Property Act, 1925, in relation to trusts for sale; and

(*b*) by section twenty-six of the Universities and College Estates Act, 1925:

and the purposes authorized by section seventy-one of the Settled Land Act, 1925, by that section as applied as aforesaid, and by section thirty-one of the Universities and College Estates Act, 1925, as purposes for which moneys may be raised by mortgage, shall include the discharge of any sum payable in respect of a development charge under this Part of this Act, being a sum determined by the Board under this section as a capital payment or as an instalment of capital.

'(5) Any sums received by the Central Land Board in respect of the payment of a development charge shall be paid into the Exchequer.'

SUGGESTIONS AS TO ACCOUNTING IMPLICATIONS

(23) Accounting implications arise from the following features of the Act:

(*a*) Loss of development value.

(*b*) Distribution from the central fund.

(*c*) Interest on the distribution.

(*d*) Development charge.

Land Held as a Fixed Asset

(24) Cases where land will be dealt with as a fixed asset include agricultural land held as such, landed estate owners, property companies and businesses owning and occupying premises for the purpose of carrying on their activities.

Recommendation IX on depreciation of fixed assets

(25) In No. IX of the series of recommendations on accounting principles the Council stated that:

'Fixed assets, whatever be their nature or the type of business in which they are employed, have the fundamental characteristic that they are held with the object of earning revenue and not for the purpose of sale in the ordinary course of business. The amount at which they are shown in the balance sheet does not purport to be their realizable value or their replacement value, but is normally an historical record of their cost less amounts provided in respect of depreciation, amortization, or depletion.'

(26) Recommendation IX dealt with the methods of providing for depreciation of fixed assets and in regard to freehold land the Council stated that depreciation does not arise through use in the business (except in the case of land acquired for use as a mine or similar wasting asset) and that amounts set aside to provide for diminution in value do not constitute a normal charge against revenue and should be shown separately in the profit and loss account. Land in the sense used in the Council's recommendation does not include buildings whereas for the purposes of the Act land does include buildings (*paragraph* 3).

(27) Recommendation IX was issued in January 1945 before the enactment of the Town and Country Planning Act, 1947, and it is now necessary to consider whether a balance sheet can show a 'true and fair view' if it does not take account of the changes which have been brought about by the Act, in particular the expropriation by the State of all development values.

Loss of development value

(28) Where land has already undergone development and the intention is to continue the existing use, it will not call for any special treatment as a result of the Act, as no loss is suffered while the existing use continues. An example of such land would be land on which a factory has been built and the intention is to continue the existing use of the factory. Further extensions and similar work or a change of use may attract a development charge which is considered in paragraph 34.

(29) The accounting implications of the loss of development value in other cases may conveniently be considered under three categories of land:

(*a*) *Land already developed but where it is intended to change the existing use.* An example of land in this category would be land on which a block of flats has been erected but which it is now intended to convert into offices. Such land will not call for any special treatment in respect of the loss of development value. The development charge when incurred would be treated as part of the capital cost of the change.

(*b*) '*Dead-ripe land*' (*paragraph* (21) (*d*)). Such land attracts no development charge unless the development which takes place is other than the development for which the 'dead-ripe' certificate was issued. 'Dead-ripe land' does not therefore normally give rise to any loss of development value by reason of the Act. Where, however, for reasons not connected with the Act it is decided not to proceed with the intended development, the position becomes similar to that under (*c*) below.

(*c*) *Land capable of further development and not 'dead-ripe'*. Such land may have been purchased at a considerably higher price than that

ruling immediately before January 7th, 1947 (prices then ruling govern the restricted and unrestricted values), and it is necessary to consider whether any accounting adjustment is required in respect of the loss of development value; this question is dealt with in the succeeding paragraph.

(30) Where there has been a loss of development value of land capable of further development (item (*c*) of the preceding paragraph) it is not considered desirable to attempt to divide the cost of such land between the existing use value and the development value so as to separate from the cost the amount which is regarded as having been paid for the development rights now lost. Until the amount receivable from the central fund is known and any claim for compensation which may lie against the local planning authority (*paragraph* 16) has been determined, it is impossible to calculate the amount of the loss. Apart from this uncertainty, the nature of the loss incurred makes it undesirable that any division should be made of the cost of land held as a fixed asset; the impact of the loss will be felt in one of the following ways:

(*a*) *By development charge when development takes place, no such charge having been contemplated when the land was acquired.* In this case the land will normally appear in the balance sheet as a fixed asset at cost and this should not be affected by the fact that subsequent development will give rise to expenditure not contemplated when the land was acquired. No accounting entries will therefore arise in this case unless and until development takes place, when the development charge will be recorded in the manner indicated in paragraph (34). It may, however, be advisable to consider in any particular case whether the amount involved is so material as to make it desirable to make an appropriate note on the balance sheet indicating that certain land will be subject to a development charge which was not envisaged when the land was acquired.

(*b*) *By failure to carry out development of the kind for which the land was acquired, the land being retained for its existing use or for some other purpose for which it can conveniently be held.* The failure to carry out the intended development may be due to the refusal of planning permission or on financial grounds. In this case also the land will normally appear in the balance sheet as a fixed asset at cost and this should not be affected by the fact that the value may now be less because of the provisions of the Act. No accounting entries will therefore arise unless and until some development takes place, when the development charge will be recorded in the manner indicated in paragraph (34). It may, however, be advisable to consider in any particular case whether the amount involved is so material as to make it desirable to make an appropriate note on the balance sheet indicating that no provision has been made for the diminution in value resulting from the Act.

(*c*) *Where planning permission is refused or the development charge is considered to be too great to warrant proceeding with the development and the land cannot usefully be retained for any other purpose, so that the land must be sold to recoup as much as possible of the original outlay.* The loss which may be incurred cannot be estimated with any degree of certainty, because neither the amount for which the land will be realized nor the distribution, if any, from the central fund, is known. No accounting entries will therefore arise before realization but in any particular case it may be advisable to consider whether the loss which may be incurred is so material as to make it desirable to make an appropriate note on the balance sheet.

(*d*) *By realization of the land at less than its cost.* In this case the capital loss which has been incurred will be recorded in the books and will normally be charged in the accounts of companies against reserves or to the profit and loss account.

Distribution from the central fund

(31) At present it is impossible to compute what amount of government stock will in due course be received, because there are two uncertain factors: first, the amount for which the claim will be agreed and second, the amount which will be received. Pending settlement of the amount receivable it is not normally desirable to bring any estimate thereof into the balance sheet. There are, however, circumstances in which an appropriate note would be made on the balance sheet; in particular:

(*a*) Where land has been sold but the right to claim on the central fund has been retained and the distribution is expected to be material.

(*b*) Where development charge has been assessed and is shown as a liability, but the land is eligible for 'near-ripe' treatment so that the development charge will later be set-off against the full loss of development value. Although the full amount of the loss is expected to be normally equal to the development charge, this may not necessarily be the case.

(32) When the government stock is received it will be brought into the balance sheet as an asset and the corresponding credit dealt with as follows according to the circumstances:

(*a*) By credit to the asset account to which a development charge has been debited.

(*b*) By credit to the asset account where a decision not to proceed with development has been made.

(*c*) By credit to a specific reserve account pending set-off against a development charge yet to be incurred.

(*d*) By credit to the account which has been charged with any realized loss on sale of land for which the right to the claim has been retained.

Interest on the distribution

(33) When interest is received from the Central Land Board in respect of the period from July 1st, 1948, to the date on which the government stock is issued, the profit and loss account should include as revenue the gross amount of the interest; and the income-tax deducted therefrom should be included as part of the taxation charge. The same principle should be followed when interest is received in respect of the period from July 1st, 1948, to the date of payment of any compensation due under the Treasury scheme made pursuant to Section 59 of the Act (*paragraph* 15).

Development charge

(34) A development charge which has already been paid in full will be charged directly to the asset account. Where a development charge has been assessed but has not yet been discharged or is payable by instalments, the full amount of the development charge should be charged to the asset account, the liability being shown on the balance sheet together with an indication of any security given to the Central Land Board in accordance with Section 71 of the Act. In cases of 'near-ripe land' a note will be required as suggested in paragraph (31).

Land Held as a Current Asset for Trading Operations

(35) Land held by builders, estate developers and similar undertakings, will be treated as 'stock-in-trade' and valued at the lower of cost or market value having regard to any loss arising by reason of the Act. Development charges incurred will be treated as costs of the land concerned.

Loans Secured on Land

(36) Where loans have been secured on land, a mortgagor will show the full amount of the loan in his balance sheet so that no action will be required. A mortgagee may find that his loan is now only partly secured and in that event the fact should be taken into account in determining the treatment of the item in his balance sheet. In this connexion it is necessary to bear in mind that the scheme to be formulated by the Treasury for distribution of the central fund is not yet known but the Treasury is empowered to take into account the interests of mortgagees, rent chargees and other persons with priority interests in the land.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Results of Examinations held in December 1950

FINAL EXAMINATION

SECTIONS I AND II

First Place: Chedgey, S. G., Southend, Essex.
Second Place: Kaufman, S. L., London.
Third Place: Nixon, D. E., Wokingham, Berks.

Full List of Names of Successful Candidates

(In alphabetical order)

Barber, D. J., Northampton.
Brady, J., Herne Hill.

Cornelius, F. H., Barnsbury.
Croxson, F. W. C., London.
Cullum, F. W., Dalton-in-Furness.

Day, R. F. G., Selsey, Sussex.
Doyle, J. B. F., Anerley.

Garlick, S. J., Liverpool.

Hardman, F. G. T., Barking, Essex.

Lowe, E. A., Leicester.

McNally, R. T., London.
Moores, A. H., Perry Hill.

Nurse, C. S., Bedford.

Payne, G. J., London.
Penney, R. F., Southgate.

Rampley, R. B., Norwich, Norfolk.

Taylor, C. E., London.

Wells, P. S., Eastbourne, Sussex.
Wheeler, C. B., Crewe, Cheshire.

72 candidates failed to satisfy the examiners, but of those who failed the following were successful in Section I only:

Aina, B. O., Knightsbridge.
Anstee, A. D., Manchester.

Batt, J., Wembley, Middlesex.
Beckett, D. W., Battersea.

Champion, L. J., Cheam, Surrey.
Cooper, S., Putney Hill.
Crompton, W. R., Bury, Lancs.
Cuttiford, D. G., Earl Shilton, Leics.

Gill, T. G., Dublin.

Holder, F. M., Gosforth, Northumb.
Hopwood, H., London.

James, G. H., Garvel, Ayrshire.
Johnston, D., Stretford, Lancs.

Magdoub-Gassim, G., London.
McCabe, H. A., Londonderry

O'Shea, T. B., Cardiff.

Parker, A. W., Bethnal Green, London.
Puleston, D. F., Gillingham, Kent.
Pulley, C. H., Wolverhampton.

Riddle, W. E., Potters Bar, Middlesex.

Sheppard, S., Swansea.
Smart, P. J., Westerham, Kent.
Stalley, W., London.
Strahan, D. J., London.

Wild, D. A., Radcliffe, Manchester.
Wilson, H., Newton Heath.
Wood, G. F., Thornton Heath.

FINAL EXAMINATION

SECTION I ONLY

First Place and Prize: Hamment, D. E., London.
Second Place: Smith, N. H., London.
Third Place: Mayo, H. E., Newent, Glos.
Fourth Place: Barnes, F. W., Sheerness, Kent; Jones, A. G., Birmingham; Stockford, K. R., Oxford.

(In alphabetical order)

Ackland, T. F., London.
Albery, J. W., Croydon.
Anderson, D., Newcastle-on-Tyne.
Archer, F. J., Walsall.

Badley, P. A. M., Manchester.
Bagnall, J., Denton, Manchester.
Bailey, E., Leyland, nr. Preston.
Baker, G. E., London.
Bales, A. A., London.
Barbrook, E. N., Liverpool.
Barrett, R. D., London.
Barton, D., Walkden, Manchester.
Berry, R. G., London.
Bertrand, W. J. B., Dagenham, Essex.
Blackburn, J. K., Burnley.
Blackmore, F. R. G., Bristol.
Blewitt, J. A., Birmingham.
Bode, F. J., Leek, Staffs.
Booth, W. E., Oxford.
Bradford, W., Droylsden, nr. Manchester.
Brooks, J., Coventry.
Bullen, W. R., Witton Gilbert, Co. Durham.
Bunn, W. F., Dagenham.
Burdett, D. T., Banbury, Oxon.
Butler, F. X., Thurles, Co. Tipperary.

Cainen, E., Stockport.
Campbell, W. A., Glasgow.
Carson, A. M. G., Belfast.
Cassidy, J. A., Birstall, nr. Leicester.
Catherall, E., Chester.
Cobb, W. J., Romsey.
Collins, C. H., Wembley.
Corbin, R. J., London.
Cracknell, R. J., Chipstead.

Deering, F. J. W., London.
Dellar, E. G. A., London.
Digby, J. A., Ilford.
Dodd, E. D., Liverpool.
Dove, A. F., Middlesbrough.
Duffy, A., Southport.
Duncan, T. B., Cupar, Fife.
Dyer, R. A., London.

Everest, G. F., London.
Ewart, H. A., Gateshead.
Ewin, E. V., London.

Falconer, S., Mount Pleasant, Swansea.
Faulkner, R. J., Stockport.
Forsyth, W. P., Kilmarnock.
Foster, R. H., Burton-on-Trent.
Francis, J., West Harrow.

Gaze, G. D., London.
Gibbs, N. C. W., London.
Glen, G. McG., Glasgow.
Glenton, C., Hull.
Goddard, J. D., Redhill.
Gowran, P. J., Dublin.
Gregory, W. B., Altrincham.
Grierson, T., Ammanford, Carms.

Hamilton, T. B., Helensburgh, Dumbartonshire.
Harding, R., London.
Harvey, J. McD., Glasgow.
Hayden, P., Waterford.
Haynes, D. V., London.
Hedley, D. C., Darlington.
Hempson, H. R., Wisbech St. Mary, nr. Wisbech.
Hennessey, B. F. E., Sidcup.
Hodgkins, J. E. E., Birmingham.
Holt, E. A., Wallington.
Hudson, S. G., Brentford.

Ievers, G. A., Belfast.
Imray, J. F., Aberdeen.
Ingall, R. W., Kendal, Westmorland.
Ireson, D. B., Luton.

Johnson, F., Droylesden, Manchester.
Johnson, W. D., Birtley, Co. Durham.
Joines, D., Hove.
Jones, A., Tredegar, Mon.
Jones, R., Acrefair, nr. Wrexham.

Kearney, J. A. R., Barkingside.
Kelly, N. D., London.
Kenny, J. D., Enfield.
Kilby, P. G., Luton.
Knox, A., Southwold.

Lawson, R. M. A., North Wembley.
Leach, K. S., Derby.
Leadbetter, W. T., Spencer's Wood, nr. Reading.
Lee, D. E., Norwich.
Lee, J., Newcastle on Tyne.
Liddell, D. M., Dunfermline, Fife.
Lievesley, H., Doncaster.
Lindsay, A. A., Ayr.
Linskill, W., Hull.
Lister, A., Paisley.
Loryman, P. T., Orpington.
Lowther, G. F., Stockport.

MacCormac, M. J., Ranelagh, Dublin.
Mackenzie, G. D., Glasgow.
Mahgoub, M., London.
Marshall, J., Failsworth, Manchester.
McNaney, W. F., Dungannon, Co. Tyrone.
Mellor, C., London.
Miles, D., London.
Miller, J., Shrewsbury.
Mills, B. H., Bristol.
Monahan, G., Dublin.
Molyneaux, J. B., London.
Morgan, I. G., Pontypridd, Glam.
Morgan, J. R., Slough, Bucks.
Morris, B. J., Chatham.
Morris, J., Boreham Wood, Herts.
Munro, E. E., London.

Nesbitt, R. S., Belfast.

Page, D. W., Orpington, Kent.
Parry, D., Flint.
Payne, L. S., London.
Pennock, J. T., Glasgow.
Philpott, B. G., Ely, Cardiff.
Prosser, W. R. C., Hayes, Middlesex.

Ransom, A., London.
Rimmington, T. K., Manchester.
Roberts, A. M., Blackheath, nr. Birmingham.
Robinson, P. J., Dunstable.
Robinson, W., Darlington.
Rumsey, G. E., Chigwell, Essex.

Saville, D., Hampstead.
Sawbridge, H., Southport.
Sears, N. C., London.
Shaw, R., Chadderton, nr. Oldham.
Shenton, G. E., Stoke-on-Trent.
Short, W. K., Edinburgh.
Smith, G. W., Newcastle on Tyne.
Smith, R. C., Newcastle on Tyne.
Smith, R. D., Battersea.
Smith, S. M., Cambridge.
Stevenson, G. L., Rutherglen, Lanarkshire.
Stevenson, L. A., Southall.
Stokes, N. A., Stafford.
Stokes, R. W., Stanmore, Middlesex.
Stone, T. A. D., Welwyn Garden City.
Stovold, H. L., Woking.
Stringer, R., Birmingham.

Tabbener, Miss E., Birmingham.
Tallintire, L., Sunderland.
Tate, G., Durham.
Taylor, E., Newcastle on Tyne.
Taylor, J., East Lothian.
Teaz, E. L., London.
Terry, K. A., Norwich.
Thomas, J. A., Cardiff, Glam.
Titchener, D. J., London.
Torrence, E. M., London.
Triggs, A. E., London.
Turnbull, I. S., Nottingham.

Wainwright, T. A., Liverpool.
Watkiss, K. H., Walsall.
Watson, Miss N. A., London.
Weir, D. T., London.
Whines, S. G., London.
Wilkins, H., Prestwich.
Williamson, J. T. H., Carshalton, Surrey.
Wilson, G. R. H., Edinburgh.
Woodall, J. R., Dudley.
Worcester, A. M. J., Bradford.
Wyatt, H. S., Newent, Glos.

233 Candidates failed

FINAL EXAMINATION

SECTION II ONLY

First Place and Prize: Smith, G., Westcliff-on-Sea.
Second Place: Dickenson, H. J., London.
Third Place: Hazell, C. B. C., Shenfield, Essex; Mayall, G., Knaresborough, Yorks.

(In alphabetical order)

Abrahamsohn, Miss I., London.
Ablott, R. J., Derby.
Albion, G., Sunderland.
Alderson, H., Prescot, Lancs.
Aldridge, G. W., Cheltenham.
Annan, W. D. R., Glasgow.
Anstis, K. R., West Bromwich.
Ashley, G. G., Liverpool.
Ayling, H. E. D., London.

Bailey, E., Harrow.
Barnes, J. M., Winchester.

Bayley, D. J., Congleton, Cheshire.
Bell, J. P., Blackpool.
Bennett, T. B., Old Colwyn, Denbighs.
Bicknell, P., Melksham, Wilts.
Bingham, T. P., London.
Binney, W., Burnley, Lancs.
Binyon, H. R., London.
Blake, S. H. J., London.
Boyd, G. M., Barrhead.
Brand, A. G., London.
Briant, L. J., North Petherton, Somerset.
Briscoe, R. H., Croydon.
Bromley, C. W., London.
Brook, F., Huddersfield.
Bryant, L. W., Hitcham, nr. Ipswich.
Buchan, D. G., Liverpool.
Burford, L. H., London.
Burns, J., Larkhall, Lanarkshire.
Burton, J. S., Morden.
Busby, R. A., London.

Chegwin, E., Bude, Cornwall.
Christie, J. P., Dublin.
Clarke, W. E., Erith, Kent.
Clegg, J., Glasgow.
Colen, G. F., Birmingham.
Collins, R. J. C., Hornchurch, Essex.
Coppin, C. W. G., Boston, Lincs.
Cooper, C. A., Yeadon, nr. Leeds.
Cunningham, J. V., Dublin.

Dawkins, G. H., London.
Digby, A. T., Farnham, Surrey.
Doig, A. S., London.
Downey, J., Nelson, Lancs.
Draper, F. O., Wolverhampton.
Drummond, J. O., Redhill, Surrey.
Dunsdon, W. E., Tamworth, Staffs.

Edwards, J. W., Runcorn.

Field, I. T., Oldbury, nr. Birmingham.
Ford, J. H., Wembley Park, Middlesex.
Fowles, R. S., Kew Gardens.
Fox, C. K., Harrow, Middlesex.
Fox, J., London.
French, G. H., Oxford.

Garvey, J. P., Birmingham.
Grainger, G. H., Dudley.
Green, L. A., Beckenham.
Greenhill, B. W., Birmingham.
Greenlees, A. J., Glasgow.
Grinsell, P. S., Doncaster.

Gross, A., London.
Guard, K. L., Woodford Green, Essex.
Guter, M. M., Pinner, Middlesex.

Hall, R. W., London.
Hammond, P. J., Basingstoke.
Hardy, L., Botley, Oxford.
Harrison, Mrs R. M., London.
Harvey, A. R., Wolverhampton.
Hastie, R., Aberdeen.
Haynes, A. E., Chesterfield.
Hendry, J., Glasgow.
Henson, R. S., Newport, Mon.
Hickman, T. C., South Harrow.
Hill, V. J., Birmingham.
Hodges, C. G., A., Bexleyheath.
Hollingsworth, H., Northampton.
Holmes, A. T. L., Birmingham.
Hooper, R. N., Shirley, nr. Birmingham.
Howard, C. F., London.
Hunt, K. G., Yeovil.
Hunt, Miss M. C., London.
Hunter, D. J., Reigate.

Irwin, P. S., Hastings.

Jeffrey, H. C., London.
Jenkins, P. G., Bournemouth.
Jenkinson, E., Southowram, Halifax.
Jones, D. W., Westcliff-on-Sea.
Jones, S. J., Plymouth.
Jupp, H. L., Bournemouth.

Kennedy, J., Fairwater, Cardiff.
Kimber, N. G., Leigh Sinton, nr. Malvern.

Lauder, R. M., London.
Lee, K. W., Chaddesden.
Leonard, R., Birmingham.
Lewis, W. J., Kendal, Westmorland.
Lloyd, A., London.

Mansfield, L. W., North Harrow.
Marks, S. J., London.
Marsh, D. G., Manchester.
McComb, D., Belfast.
Mearing, A. E., Hounslow.
Metson, R. G., Romford.
Midgley, J. V., Fareham, Hampshire.
Mitchell, G., Morden.

Newbold, F. J., Nottingham.

Oldfield, G., Birmingham.

Palmer, K., Halifax.
Palmer, R. F., Ilford.
Patrick, H., St Helens, Lancs.
Patten, J., Ludlow, Salop.
Plumeridge, A. C., London.
Pocock, L. F., Watford.
Pringle, G., Newcastle on Tyne.
Purry, M. B., Ilford.

Randall, E. G., Nottingham.
Reed, W. J., Bishopsworth, nr. Bristol.
Robertson, A. J., Glasgow.
Rogers, J. W., London.
Runeckles, R. F., Cheam.

Sainsbury, C. G., Twickenham, Middlesex.
Sewell, J. W., London.
Shave, A. E. M., Southampton.
Shedden, G. G., Glasgow.
Sheppard, J. A., Birmingham.
Shillingford, A. J., London.
Sibley, D. R., Parkstone, Dorset.
Skeates, G. R., London.
Sloane, L. J., St Annes-on-Sea.
Smee, G. A., Ilford.
Smith, J. W., Liverpool.
Swapp, V. R., Manchester.

Tait, A. McK., Edinburgh.
Taylor, S. E., Canton, Cardiff.
Thorogood, J. E., Whitstable.
Thurlow, R., Halifax.
Tomlinson, R. A., Portsmouth.
Toyer, D. W., Luton.
True, C. H., London.

Waite, J. E., Greenford, Middlesex.
Wallace, J. F. T., Annan, Dumfriesshire.
Walton, I., Paisley, Renfrewshire.
Warner, A. J., Banstead, Surrey.
Warren, T., Doncaster.
Watson, B., Willerby, nr. Hull.
Webb, W. H., Hull.
Webster, K. W., Taunton.
Whymark, F. J., Ipswich.
Williams, G. N., Liverpool.
Williams, J. R., Carshalton, Surrey.
Williams, J. F. K., Morden Park.
Williamson, K. E. H., Dereham, Norfolk.
Wilson, D. C., Glasgow.
Wilson, L. F., London.
Wiltshire, H. P., London.

255 Candidates failed

Summary of Results

Candidates	Preliminary	Intermediate	Final: Sections I & II	Final: Section I only	Final: Section II only	Corporation Final	Total
Passed with Honours ..	3	4	3	6	4	—	20
Passed ..	20	201	19	164	154	—	558
Failed ..	16	676	72	233	255	2	1,254
Total sat ..	39	881	94	403	413	2	1,832

N.B. – Of the candidates who sat for the Final, Sections I and II, 27 candidates satisfied the examiners in Section I only.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Results of Examinations held in December 1950

SUCCESSFUL CANDIDATES – Home Centres

FINAL EXAMINATION

First Place (S. Laurence Gill Prize, Leverhulme Prize (bracketed), Donald L. Moran Prize),
Knowles, Bernard Keith, London.

(In alphabetical order)

Adolphus, J., London.
Allen, T. F., Weston-super-Mare.
Anderson, R. H., West Hartlepool.
Atkins, I. F. J., Bristol.
Aubrey, A., Chester.
Audas, R., Bebington.

Bagwell, V. C., Ruislip.
Bartrip, W. A. H., Welling.
Bassam, A. H., Rochford.
Beaton, I. G., London.
Beecham, S. C., Grantham.
Bentley, J., Feltham.
Bevis, J. M., Birmingham.
Blackburn, C., Leeds.
Bond, G. R. J., Bristol.
Bone, A. A., Wembley.
Bowden, H., Glossop.
Bridgett, J. S., Loughborough.
Broadley, P., Stoneleigh.
Brown, C. H., London.
Brown, E., Doncaster.
Brown, E., Nottingham.
Brown, M. W., Worcester Park.
Brownie, J., Glasgow.
Bruce, J. M., Lincoln.
Bryant, J. W., London.
Budge, I. F., Johnstone.
Burbridge, C., Birmingham.
Burd, A. J., Wallasey.
Burgess, A., Leeds.
Burton, M. D., Burton-on-Trent.

Cadby, A., Birmingham.
Caldwell, R. L., Glasgow.
Callender, D. P. N., Portsmouth.
Candy, P. G., Glastonbury.
Carter, R. E., London.
Carter, R., London.
Caswell, R. S., Stafford.
Child, D. G., London.
Churchman, W., Preston.
Clark, A., Edinburgh.
Coleman, L. M., Dublin.
Conway, J. T. N., Tullamore.
Cowgill, F. W. N., Crewe.
Crabb, D. J., London.
Crombie, W. A., Glasgow.
Crossley, H., Wakefield.
Crouch, G. H. E., Bedford.
Cutler, B., Ilford.

Daly, E. C., Drogheda.
Dartnell, A. W. C., Thornton Heath.
Davis, F. F., Bristol.
Dennis, P. C., Kenley.
Dick, P. R., Bristol.
Dodd, E. F., Barnet.

Ebden, J., Oldham.
Edwards, J. L., Dartford.

Frost, J. L. F., Sheffield.

Golding, W. C., London.
Goodinson, R. A., Rotherham.
Grant, J. S., Stafford.

Hadland, D. E., Worcester.
Hague, R. M., Rotherham.
Hammond, L., Hornchurch.
Harmer, W. H. J., Worcester Park.
Harris, E. C., Welwyn Garden City.
Hart, C. W., Hull.
Hassett, J. G., Derby.
Hassnip, R. C. S., Nottingham.
Hathaway, E. J., Little Thurrock.
Hayes, D. H., Grimsby.
Heath, A., Sheffield.
Hess, D. M. P., Aylesbury.
Hill, J., St Helens, Lancs.
Hill, R., Sheffield.
Hitching, C. H., Hoddesdon.
Hodgson, H., London.
Holliday, J. A., Liverpool.
Hosegood, C. J. E., Brentford.
Humby, E., Enfield.
Hunter, F. T., London.
Hunter, H. A., St Helens, Lancs.
Hutchinson, J. S., Bury.
Hyde, W., Liverpool.

James, H. S., Lewes.
Jaques, N., Nuneaton.
Johnson, D. E., London.
Jones, W. H., Flint.

Kennedy, P. F., Dublin.
Kersley, S. M., Bolton.
Kiely, K. H., Isleworth.
King, R., Coatbridge.
Kingscott, T. F., Birmingham.
Kirk, A., Glasgow.
Kirk, H. A., Sutton Coldfield.
Kirkcaldie, R. L., Edinburgh.

Lancelott, R. G., Birmingham.
Lay, R. H., London.
Leadbetter, S., Blackburn.
Lightfoot, W. E., Liverpool.
Lovelock, R. C., Harrow.
Luft, C., Liverpool.

McCullagh, W., Dublin.
McLaren, A. C., Edinburgh.
MacLean, A. A., Lochgilphead.
Manger, R., Birmingham.
Mant, D. C. F., Chichester.
Marsden, A. F., Dover.
Marsden, C., Huddersfield.
Marsh, A. R., Coventry.
Marshall, D. G., Mitcham.
Mason, J., Glasgow.
Mayes, F. E., Hebburn-on-Tyne.
Mayne, R. J., Cambridge.
Melhuish, A. L., Truro.
Milner, P. C., Chester.
Milnes, R. D., Doncaster.
Moorhouse, P., Huddersfield.
Morton, H. E., Hounslow.

Oakes, C. H., London.
Oates, H., Sheffield.
Ormerod, R. Y. F., Wakefield.
Owen, J. E., Wallasey.

Packer, K. R., Hove.
Parkin, A. W., London.
Pearson, D., Dublin.
Pearson, E. R., Hull.
Pennycook, E. W., Rainham.
Perryman, H. C. F., Chessington.
Pope, E. B., Chester.
Pope, R. J., Luton.
Powell, C. L., London.
Preedy, G. E., Leeds.
Prescott, I. J., Hayes, Middlesex.
Prior, H., York.
Priscott, J. B., Walsall.

Rafferty, P. G., Glasgow.
Ragheb, H. M., London.
Ramsay, J. B., Dundee.
Reid, J. G., Glasgow.
Roberts, B. T., Meols.
Robertson, R. H. A., London.
Robins, L. J., London.
Robinson, G., Leeds.
Robinson, J. V., Runcorn.
Roe, M. E., Norwich.
Royle, L., Stretford.

Sale, H. J., Henley-on-Thames.
Shedden, J. B., Glasgow.
Sheldon, C. B. E., Hove.
Shellard, J. W., Bristol.
Shephard, G. C., Mansfield.
Shepherd, S. A., Kidderminster.
Simpson, D. J., London.
Simpson, G. B., Beckenham.
Slater, R. I., Sheffield.
Smith, B. T., Birmingham.
Smith, D. A. B., Worcester Park.
Smith, G. D., Cambuslang.
Smith, H. G., London.
Smith, V. R., Middlesbrough.
Sparrow, W. H., Nottingham.
Speirs, G. W., Erith.
Sprawson, P., Stockport.
Stead, J., Potter's Bar.
Stephens, P. G., Bristol.
Stevenson, E., Salford.
Strong, A. J., Bexley.
Sunman, R., Reading.

Talbot, R., Oldham.
Taylor, B. H., Romford.
Taylor, E., Leeds.
Taylor, E. J., Birmingham.
Taylor, G. S., St Leonards.
Thompson, H. M., Newcastle on Tyne.
Tibbles, J., Shoeburyness.
Tomkinson, K. R. G., Kidderminster.

Townly, R. R., London.
Tuvey, R. H., London.

Veale, N. E., Stone.
Vickers, R., Thornton Heath.

Watler, E. J., Gravesend.
West, K. H., Caterham.
Whitburn, H. C., Liverpool.
Whitehouse, M. R., Walsall.
Wilkie, A. H., Stirling.

Wood, W. J., Ilford.
Woolner, E. C., Birmingham.

† *Leverhulme Prize* (bracketed with First Place candidate).

189 Candidates passed

612 Candidates failed

Summary of Results

	Final	Intermediate Part I	Intermediate Part II	Intermediate Parts I & II	Total
Candidates Successful ..	212	335	360	67	974
Candidates Failed	719	509	419	189	1,836
Candidates Sat	931	844	779	256	2,810

The June 1951 examinations will be held at the usual home and overseas centres on June 11th, 12th and 13th, and applications on Form C (available from Institute headquarters, 63 Portland Place, London, W1, on receipt of a stamped, self-addressed envelope) should reach the Institute by not later than April 27th, from home candidates.

SOUTH WALES AND MONMOUTHSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

ANNUAL DINNER IN CARDIFF

The annual dinner of the South Wales and Monmouthshire Society of Chartered Accountants was held at the Park Hotel, Cardiff, with Mr Arthur H. Lawrence, F.C.A., President of the Society, in the chair, on Wednesday, February 21st, 1951.

Mr H. Garton Ash, O.B.E., M.C., F.C.A., President of The Institute of Chartered Accountants in England and Wales, and Mr Lawrence, received the members and guests who numbered about 150. Among those present were: Alderman George Ferrier, J.P. (*Deputy Lord Mayor of Cardiff*); Lieut.-Col. Sir Rhys Llewellyn, Bart. (*High Sheriff of Glamorgan*); Messrs Llewellyn Francis, J.P. (*Registrar of the County Court*); E. Gavine (*Principal Inspector of Taxes, Cardiff*); Alan S. MacIver, M.C. (*Secretary, Institute of Chartered Accountants*); Derek du Pré (*Editor, 'The Accountant'*); Gilbert D. Shepherd, M.B.E., F.C.A. (*member, Council of the Institute*); R. G. M. Street (*President, Cardiff Chamber of Commerce*); D. W. Vaughan (*President, Cardiff and District Centre, Institute of Bankers*); G. M. W. West, F.C.A. (*President, Liverpool Society of Chartered Accountants*).

Proposing the toast of 'The Institute of Chartered Accountants in England and Wales', Mr Derek du Pré, Editor of *The Accountant*, spoke of the high esteem in which chartered accountants were held throughout the country and drew attention to the enormous amount of voluntary social work unobtrusively performed by members of the Institute; one of the reasons for their undertaking so many duties that take up so much of their time was, he suggested, that their training and daily work developed in them a flexibility of mind and of approach to a variety of problems.

After paying a tribute to the headquarters staff of the Institute 'so ably led by your popular secretary, Mr Alan S. MacIver' (Applause), Mr. du Pré gave a few facts about the duties of a president of the Institute.

'He is to be found in Moorgate Place every working day, and I have it on the highest authority that the time at his disposal for his professional or personal affairs is not more than two hours each week.

'There are ten standing committees of the Institute and during the past twelve months there were 50 sub-committees which held 106 meetings. Presidents are ex-officio members of every one of the standing committees and members of almost every sub-committee. There are two exceptions – the Investigation Committee and the Disciplinary Committee, where Presidents are reserved for appeals.

'But it is not only attendance at innumerable meetings that takes so much of their time, for minutes, reports and memoranda are read and checked by holders of this distinguished office: the amount of reading Presidents are called upon to do is, to my certain knowledge, enormous. (Hear, hear.)

Replying to the toast, Mr H. Garton Ash, O.B.E., M.C., F.C.A., President of the Institute, said:

'The members of our Institute are faced today as never before with numerous and intricate problems which are brought before us because of the wide experience we obtain in all classes of commercial undertakings.

'I think we can justly claim to take a wider view of our duties and responsibilities and to have overcome the tendency to become too technical in our approach to accounts. It is not always easy to know the best action to take and whether or not to press our views on those responsible for the running of the concern. We must, of course, ensure that the accounts which we report on are not only technically correct but disclose a true and fair view. (Hear, hear.)

'In the petition for the Supplemental Royal Charter which was granted in December 1948, the Institute claimed – and I think had every justification for claiming – that it had pursued the objects of the original charter. And here I would like to quote you the words of the petition in which this claim was made.

'After referring to having pursued the objects of the original charter it continued:

> "and has aimed at the elevation of the accountancy profession as a whole and the promotion of its efficiency and usefulness by compelling the observance of strict rules of conduct as a condition of membership and by setting up a high standard of professional and general education and knowledge and has thereby secured for the community the existence of a class of persons well qualified to be employed in the responsible and difficult duties devolving on professional accountants".

'In view of that claim, which I find is universally acknowledged to be justified, it is somewhat extraordinary to read in an article on tax evasion written by a Member of Parliament in which, after putting forward certain proposals for

catching the people he refers to as "tax-dodgers", he ends his article with the following:

"*Finally*, it is high time that the accountancy profession – which has a vested interest in taxation – accepted a rigid code of professional integrity and public responsibility. It would also be a good thing if they would remove doubts concerning their professional standards. Accountants should neither deceive nor allow themselves to be deceived; they should never sign accounts for income-tax purposes which they would not themselves accept if they were in the place of the Inspector. If accountants are not there to safeguard the Revenue as well as to serve their clients honestly and fearlessly, they must expect to be regarded with suspicion, and even as aiders and abettors."

'I do not, of course, know the particular people to whom the writer refers. But this I do know: the Institute has always upheld and will continue to uphold the highest standards of professional ethics. (Hear, hear.) And when any breach of these high standards is shown to have occurred, strong disciplinary action is taken against the delinquent. (Applause.)

'The authority of the Institute originates in the high standards of integrity which have been set and maintained during the past seventy years, and, judging from the opinions of many responsible and independent men, including senior officials of the Inland Revenue, these standards are fully recognized as the hall-mark of a chartered accountant. (Applause.)

'The proof of the pudding is in the eating, and I suggest that if our integrity were not assured, there would not be the demand there is today for the services of chartered accountants in independent positions of trust.

'The maker of these unsubstantiated innuendoes and assertions against professional accountants has the remedy in his own hands, namely, to report the alleged delinquent to the council of the professional body concerned, so that the allegations may be tested by proper enquiry. My remarks on this, I am sure, apply equally to the other recognized bodies of accountants.' (Hear, hear.)

He continued:

'The problems which we have to face in these times, both directly and indirectly, are many and varied, and the scope and technicalities of our work are constantly increasing. We have to make ourselves familiar with all the changes and developments which are continually taking place. Indeed, it becomes necessary for us to have some insight into many problems which were not previously regarded as part of our normal work.

'The one limiting factor which besets us all is time – time to give full consideration to these new problems, to sit back and think them out rather than be forced, as is often the case, to come to a too hasty decision.

'It is a symptom of the times in which we live that everything has to be done in a hurry with the result that much of it has often to be revised. The problem of time for theoretical study is one which becomes ever more urgent. This is a real danger, for unconsidered documents are like a sitting of eggs not properly tended – they become addled and serve no useful purpose. (Laughter and applause.)

Mr D. W. Vaughan, President of the Cardiff and District Local Centre of the Institute of Bankers, proposing the toast of 'The trade and industry of South Wales and Monmouthshire', said that their bread and butter depended on the prosperity of the area. Bread and butter was the main reason for all their endeavours and the sooner our rulers realized it, the better. (Hear, hear.)

Referring to 'two great industries' – agriculture and fisheries – Mr Vaughan said that they possibly felt, as chartered accountants, that agriculture was not much in their line of country, but he thought that it would be a great benefit to the farmer and to the accountancy profession if accountants did more for them.

Response to the toast was made by Mr R. G. M. Street, President of the Cardiff Chamber of Commerce, who said that Cardiff Docks were suffering bitterly from the loss of coal for export and for inland consumption.

They had heard complaints and criticisms of the importation of American coal when it coincided with the export of Welsh coal. As accountants, they would soon appreciate the advantage to the country in exporting good Welsh coal – which could command the cream of the demand abroad – even though we had at a lower price to import American coal. It paid this country handsomely.

The toast of 'The Guests' was proposed by Mr Lawrence in a charming speech; Mr Llewellyn Francis, J.P., Registrar of the County Court, and Mr E. Gavine, H.M. Principal Inspector of Taxes, Cardiff, responded.

A toast to the chairman was proposed by Mr J. Colin Montgomery Williams, F.C.A., Vice-President of the Society, and was received with enthusiasm. In his reply, Mr Lawrence paid a tribute to the success of the hard work done by Mr H. W. Vaughan, F.C.A., Hon. Secretary and Treasurer of the Society.

INCORPORATED ACCOUNTANTS' HULL AND DISTRICT SOCIETY

BIENNIAL DINNER

The Incorporated Accountants' Hull and District Society held their biennial dinner at the Guildhall, Kingston upon Hull, on Thursday, February 22nd, 1951. Mr Stanley King, F.S.A.A., President of the Society, was in the chair and presided over a company of 145 members and guests.

Among those present were Mr A. Stuart Allen, F.S.A.A., President of the Society of Incorporated Accountants and Auditors; Councillor F. L. Bailey, M.B.E., Sheriff of Kingston upon Hull, and Mrs Bailey; Mr L. Ballan, O.B.E., M.INST.T., Commercial Superintendent, Railway Executive, N.E. Region; Mr J. H. Nicholson, M.A., Principal, University College, Kingston upon Hull; Mr H. I. Loten, M.B.E., J.P., and Messrs A. Bays (*President, Chartered Institute of Secretaries, Hull and District Branch*); F. E. Biller (*H.M. Inspector of Taxes*); A. P. Burton (*Vice-President, Incorporated Accountants, Bradford and District Society*); T. A. Corley (*H.M. Inspector of Taxes*); I. A. F. Craig, O.B.E. (*Secretary, Society of Incorporated Accountants and Auditors*); Mrs B. Dean (*President, Business and Professional Women's Clubs (Hull Club)*); Messrs Derek du Pré (*Editor 'The Accountant'*); F. Eaton (*H.M. Inspector of Taxes*); Noel Gardiner (*Chairman 'The Pacific' Ltd*); R. J. Harris (*President, Association of Certified and Corporate Accountants, Hull Branch*); E. Haycock (*President, Hull and District Chamber of Trade*); R. C. Jamieson (*President, Hull Centre, Institute of Bankers*); E. Mayfield (*President, Insurance Institute of Hull*).

Messrs H. S. Parkin (*President, Incorporated Accountants, Newcastle District Society*); C. H. Pollard, O.B.E. (*City Treasurer, Kingston upon Hull*); Miss E. R. Randerson (*President, Soroptimist Club*); Messrs D. R. Ridgway (*H.M.*

Inspector of Taxes); G. T. Rignall (*President, Hull Incorporated Law Society*); A. V. Rhodes (*Registrar, District Registry of the High Court of Justice*); G. B. Robins (*President, Hull, East Yorks and Lincs Society of Chartered Accountants*); G. C. Spencer (*County Chairman, National Farmers' Union, East Riding*); A. J. Tarryer (*H.M. Inspector of Taxes*); C. E. Taylor (*President, Hull Institute of Estate Agents*); R. H. Tinkler (*H.M. Inspector of Taxes*); C. G. A. Try (*H.M. Inspector of Taxes*); S. G. Wilson (*H.M. Inspector of Taxes*); G. A. Windsor (*President, Incorporated Accountants' District Society of Yorkshire*).

Proposing the toast of 'The Humber and its Interests', Mr Ballan said that the greatness of Hull was founded on the Humber, 'muddy though it might be'. Conditions at the present time were not all that they would wish them to be, particularly as regards the export of coal, but the interests of the Humber were so varied that 'when some things are not doing so well, other things make up for it to a quite considerable extent'.

In his response, Councillor Bailey, Sheriff of Kingston upon Hull, said that he looked forward to an improvement in trade, especially in the coal and timber trades, but he feared that under nationalized services there was the ever-present danger of local conditions and considerations being ignored in favour of broad general decisions.

Mr J. H. Nicholson, M.A., Principal, University College, Kingston upon Hull, proposed the toast of 'The Society of Incorporated Accountants'. He had always, he said, regarded accountancy with awe as a 'craft' to which he could never aspire. He could, he believed, 'manage the pounds', but the shillings and pence gave him considerable difficulty. (Laughter.)

Responding to the toast, Mr Stuart Allen spoke of the effect that the rearmament programme would inevitably have on the national economy. The excess purchasing power that would result from increased wages and the scarcity of consumer goods could be drained away by two methods – taxation and savings.

He continued:

'But even if over the whole country these methods could be applied with success in the sense that they would reduce sufficiently the excess purchasing power, it is abundantly clear that between various sections of the population you must get inequalities – and even greater inequalities between the individual members of the population.'

To illustrate this he took the cases of the married man with four children and the bachelor with no dependants, each earning £10 a week.

He went on:

'Is it really conceivable that any increase in taxation could remove this disparity? And is it feasible or desirable that any system of taxation should take into account the individual considerations and individual tastes – and whims almost – to an extent that would relieve or remove this great disparity in purchasing power?'

Turning to 'domestic matters', Mr Stuart Allen said that it was now likely that the Society would be able to return to its Hall on the Embankment by the middle of this year; though the projected extension of the Hall had not been licensed. He paid a warm tribute to the staff of the Society who had served so cheerfully under such difficult conditions. (Loud applause.)

Mr Stanley King, F.S.A.A., proposed the toast of 'Our Guests', in a charming speech, and expressed his warm thanks to Mr A. MacDonald, F.S.A.A., Organizing Secretary, for the admirable arrangements he had made. In a witty reply, Mr Loten, on behalf of the guests, expressed his appreciation of a delightful evening.

NOTES AND NOTICES

Personal

MESSRS MYERS, DAVIES & Co, Chartered Accountants, of 259–264 Salisbury House, London Wall, London, EC2, announce, with regret, the retirement of Mr D. A. DAVIES, F.C.A., through ill health as from March 31st, 1950. The practice has been and will be carried on at the same address by the remaining partners with no change in the firm name.

MESSRS W. J. WATT & Co announce that they have admitted Mr RICHARD NICHOLAS JAMES BELL, A.C.A., as a partner with effect from March 1st, 1951. Mr BELL has for some time been a senior member of the staff.

Rugby Football

The South Wales and Monmouthshire Chartered Accountant Students' Society emerged the victors by three goals (fifteen points) to nil, in a Rugby football match against the South Wales and Monmouthshire Incorporated Accountant Students' Society, at the Hawthorns Rugby Ground, near Pontypridd, on Thursday, February 15th.

The game was played in ideal conditions, and it was the straight running of the heavier Chartered three-quarters that provided the scoring movements. Tries were scored by J. M. Griffiths, J. R. Simons and W. A. Thomas. H. W. L. Jones, who narrowly missed kicking a penalty goal in the opening minutes, converted all three tries.

Hockey

A match between members of the Institute and articled clerks will take place at Richmond Hockey Club on Wednesday, March 7th, at 3 p.m.

This match will be the last one to be arranged by Mr W. A. D. CRAIG who is sailing for Southern

Rhodesia the following week, but Mr W. B. Johnston has agreed to act in future as hon. secretary, and all communications should be addressed to him, c/o Messrs Pannell, Crewdson & Hardy, 9 Basinghall Street, London, EC2.

Nottingham Chartered Accountant Students

The Nottingham Roosevelt Memorial Travelling Scholarship Fund has, for the first time, awarded a travelling scholarship in the U.S.A. to a chartered accountant student. The grant has been made to Mr B. W. Sutherland, a member of the Nottingham Chartered Accountant Students' Society, who gained first place in the Institute's Intermediate examination in November 1949.

The purpose of the fund is to enable each year a small number of students – usually three – between the ages of 20 and 30 to visit the U.S.A. to observe something of the American way of life and business methods.

The annual dinner and dance of the Nottingham Chartered Accountant Students' Society held recently was made the occasion for the presentation of a clock, suitably inscribed, to Mr A. L. Morrell, F.C.A., who, since 1922 until his recent resignation, was lecturer to the Nottingham Chartered Accountant Students' Tuition Scheme. The presentation on behalf of the students' society was made by Mr P. F. Granger, F.C.A., President of the Nottingham Society of Chartered Accountants and a member of the Council of the Institute.

Central Price Regulation Committee

It is announced by the Board of Trade that the Central Price Regulation Committee removed to Clive House (7th Floor), Petty France, London, SW1 (Telephone Abbey 8010), on Thursday, March 1st, 1951.

The 'Red Book'

The Institute's year book – familiarly known as the 'red book' – has made its welcome appearance. Officially styled as the 'List of Members, 1951', revised to November 30th, 1950, it shows the total membership of the Institute as 15,263, an increase of 621 over the previous year, composed as follows:

	On Nov. 25th, 1949	On Nov. 30th, 1950	Increase + Decrease—
ENGLAND AND WALES			
Fellows in practice ..	3,159	3,212	+ 53
Fellows not in practice ..	348	362	+ 14
Associates in practice ..	2,651	2,856	+205
Associates not in practice	7,021	7,264	+243
	13,179	13,694	
NOT IN ENGLAND OR WALES			
Fellows in practice ..	104	124	+ 20
Fellows not in practice ..	39	41	+ 2
Associates in practice ..	249	261	+ 12
Associates not in practice	1,071	1,143	+ 72
	1,463	1,569	
Total membership ..	14,642	15,263	+621

Our Weekly Problem

No. 35: Cigarettes or a Pipe?

'No thanks!' said Mr L. U. Sidate. 'I don't smoke them. Pipes are much cheaper.'

Mr U. N. Ravel lit a cigarette. 'I only smoke a packet of 20 a day, and each cigarette lasts me 11 minutes.' 'Well, I smoke 2 ounces a week', said Mr Sidate. 'It works out at about five pipes a day and each pipe lasts on an average half an hour.'

They compared notes and discovered that 35 pipes cost 1*s* 11*d* more than 35 cigarettes, but Mr Sidate got five and a half more minutes' enjoyment per penny.

How much more does Mr Ravel spend per week on smoking than Mr Sidate?

The answer will be published next week.

Answer to Problem No. 34: Average Weekly Profit

The average weekly profits for the three years is not £15 0*s* 11*d* but £15 1*s* 0*d* as there were fifty-three Saturdays in 1949.

		£ s d	£ s d
1948 ..	52 ×	13 1 8 ..	680 6 8
1949 ..	53 ×	15 14 0 ..	832 2 0
1950 ..	52 ×	16 7 1 ..	850 8 4
	157		157)2,362 17 0
			£15 1 0

The Accountant

ESTABLISHED 1874

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MORE BUDGET ADVICE

SINCE we discussed the suggestions of the Association of British Chambers of Commerce, three more organizations have submitted their views to the CHANCELLOR OF THE EXCHEQUER on the form of the coming Budget. They are the Trades Union Congress, the Federation of British Industries, and the British Overseas Mining Association.

The published recommendations of the General Council of the Trades Union Congress are short. The Council regards a considerable overall increase in taxation as necessary, but thinks that this should not rule out the possibility of concessions – particularly to stimulate production and to help people with lower incomes. Side by side with an increased standard rate of income-tax there should be an adjustment of reduced rates to lessen the disincentive effect of sharp increases as between the reduced rates and the standard rate. The latter part of this scheme resembles that propounded by the Association of British Chambers of Commerce. Both bodies recognize the penal effects of steeply increasing tax on the rewards of extra effort, but increasing the standard rate would not affect more than a small minority of trade union members. A married man must earn well over ten pounds per week before he pays at standard rate. The T.U.C. recommends a further increase in the exemption limit and this would certainly save a great deal of expense in issuing large numbers of return forms and collecting minute amounts of tax. It is maintained that the rate of profits tax should be increased on both distributed and undistributed profits. Presumably the disincentive effect of such increases is regarded as being outweighed by other advantages. There is a somewhat vague recommendation that purchase tax on certain luxury goods be increased and that the tax on certain essentials be reduced. In order to soften the impact of rising import prices on the cost of living, it is suggested that subsidies be increased, but only 'as far as practicable, having regard to our other financial commitments'.

The proposals of the Federation of British Industries are more detailed and more reasoned. It sets out the following broad objects:

'1. To preserve industrial capital in the face of inflationary pressure.

'2. To remove discriminatory taxation on corporate bodies and to spread direct tax more widely over the general body of taxpayers.

'3. To counter inflationary pressure by drawing off surplus purchasing power where it lies.

'4. To avoid any increase in the total burden of taxation and to find the major part of the finance for rearmament by reductions in other forms of Government expenditure.

'5. To readjust the incidence of taxation so that it does not constitute a deterrent to greater effort, in particular by industry; this involves a fair reward for capital as an incentive to saving, as well as for labour.'

Object 3 would appear at first sight to contradict object 5, but the Federation makes it clear that the target of object 3 is not the potential purchasing power that savings represent, but only the money actually spent. In other words, the emphasis should be on indirect, as opposed to direct, taxation.

The Federation claims that no increase in total taxation is necessary, that it can be avoided by economies in expenditure other than on defence. These include the deferment of some of the social services, administrative economies, and the cessation of advances by the Exchequer to local authorities. The recommendations in the sphere of direct taxation closely resemble those made by the Association of British Chambers of Commerce. The claim is made that profits earned abroad should not be taxed until they are remitted to this country, that the limit on unilateral double taxation relief should be removed, and that this relief should extend to include those foreign taxes which are taxes on income in substance, although not in form, such as annual capital taxes. It is also suggested that the maximum earned income relief be increased from £400 to £1,000, to cover earned income up to £5,000 a year.

Like the Association of British Chambers of Commerce, the Federation would repeal the profits tax or, failing that, would permit the deduction from profit of preference dividends and would increase the maximum remuneration of directors of controlled companies.

Owing to the continued difficulty and consequent delay in executing repair works which have been deferred from the E.P.T. period, the provisions for allowing such repairs against E.P.T. liability are becoming more and more unreal. A suggestion well worth considering is that a final estimate of the cost of such repairs be made now, so that outstanding E.P.T. assessments may at last be closed. It is pointed out that if prices continue to rise the Revenue may gain by this arrangement.

The Federation attacks the estate duty provisions of the 1940 Finance Act, which impose special rules in the case of controlled companies. Any amendment of this eleven-year-old but still imperfectly understood legislation runs the risk of creating as many anomalies as it removes. It is suggested, for instance, that Section 46, which imposes estate duty on assets transferred to a company by the deceased, should be confined to assets transferred within five years of his death. The section, however, is aimed at persons who enjoy their assets through the machinery of a private company, and it is the enjoyment, not the transfer, which is significant. Again, it is said that the estate duty in this case should fall, not on the company but on the deceased's estate. This suggestion, if adopted, would defeat the purpose of Section 46 if the deceased left no free estate and would impose hardship on his beneficiaries if he did. There is a good deal to be said in favour of modifying Section 55, which directs that certain shares are to be valued by reference to the company's assets. The difficulties which arise when the shareholder actually dies are due mainly to the high rate of duty, rather than to Section 55, but the section causes much doubt and uncertainty during his lifetime which could be removed without much loss to the Revenue.

The Federation makes some pertinent suggestions for the improvement of the whole scheme of purchase tax, to remove some of its many anomalies and to defeat evasion.

The British Overseas Mining Corporation, in its letter to the CHANCELLOR, confines itself to the problem of the exodus of companies which carry on mining operations overseas. The letter points out that it is much more than a loss of revenue which is involved. It is obviously important to keep within the fold companies controlling large quantities of minerals of strategic and economic importance; companies which, moreover, are heavy buyers of supplies and services. It seems clear that the predominant cause of the exodus is the penal taxation which such companies suffer. The Association suggests that overseas profits should be taxed on the remittance basis only, should be exempt altogether from profits tax and should qualify for more generous allowances in respect of depletion of minerals. As it is in the power of these companies to migrate it is clearly in the country's interest to grant them some concessions.

Both the Federation of British Industries and the British Overseas Mining Association urge the CHANCELLOR not to defer consideration of their proposals until the Royal Commission on Taxation has reported. Too often a Royal Commission is used as an excuse for doing nothing.

THE DUTIES AND LIABILITIES OF DIRECTORS

by SPENCER G. MAURICE, Barrister-at-Law

ON a recent occasion the sale and repurchase by the director of a public company of shares in that company gave rise to an inquiry as to the propriety of his action. In due course the director concerned sent to the chairman of his board a letter of explanation and expressed his intention to resign at the end of the company's financial year. The chairman circulated to members of the company details of what had occurred, and a copy of the director's letter, and the matter was then apparently concluded. That the incident in question required investigation was manifest. The director had sold his shares when the price quoted on the Stock Exchange was fairly high. The price had then fallen. Two weeks later, while the price was still ow, the shares were repurchased by the director the morning of the very day on which the ard was to consider a resolution, which he imself had suggested, to make a bonus issue of hares. After this resolution had been duly pproved, and had become known on the Stock xchange, the price of the shares rose again.

Dealings in Shares

The director represented the whole affair as a oincidence, and the chairman evidently accepted his explanation, or he would doubtless have alled for the director's immediate resignation r invoked the machinery of Section 184 of the Companies Act, 1948, to bring about his removal rom office. In any event, the matter is *res judicata*. ut it has been the subject of a good deal of disussion, and it raises the question of dealings ith directors in the shares of their own companies, and the wider problem of the general uties and liabilities of directors.

Many directors refuse to deal with the shares f their own companies for the laudable reason hat they know that any such dealings may well fect the quotation of the shares concerned in the ock market, possibly causing a rise or fall for hich there is no real justification. Stockbrokers aturally look on such transactions by directors auguries. If a director sells shares in his comny, the Stock Exchange may well believe that eir value is falling, and there may be a consequential fall in prices; if he buys, vice versa. lthough such dealings are contrary to no statute, it is clear that – on account of the possible repercussions on the company – they may sometimes amount to improper conduct by the directors concerned. Moreover, it seems that they can in practice be avoided without in any way fettering the directors' free disposal of their shares, by the simple expedient of the appointment of a nominee such as a bank, in whose name the desired transactions are carried out.

Agents or Trustees – or Both ?

The assumption of a fiduciary position always has onerous consequences. Even in those cases where the existence of a fiduciary relationship does not automatically raise a presumption of undue influence, the Courts are quick to intervene on behalf of the party who relies as against the party relied upon. Where the parties are trustee and beneficiary undue influence is presumed, and although there is no such presumption as between principal and agent, the remedies open to a principal in the event of breach of duty by his agent show that the agent's conduct is in fact watched almost as closely as that of the trustee.

That directors are in a fiduciary position there is no doubt, and the decisions of the Courts show that theirs is a particularly invidious one, inasmuch as they are stamped with the mark of trustee and agent at the same time. Their dual capacity is illustrated in an early case in company law, *Ferguson v. Wilson* ((1866) L.R. 2 Ch. App. 77), where the plaintiff sought specific performance of a resolution of a board of directors, under which he alleged that he was to have shares allotted to him, and claimed to be indemnified by the directors personally out of their shares, if the shares had all been allotted to other shareholders. Cairns, L.J. (afterwards Lord Cairns, L.C.) said (at pp. 89, 90):

> 'What is the position of directors of a public company? They are merely agents of a company. The company itself cannot act in its own person, for it has no person; it can only act through directors, and the case is, as regards those directors, merely the ordinary case of principal and agent. Wherever an agent is liable those directors would be liable; where the liability would attach to the principal, and the principal only, the liability is the liability of the company.'

The case before him was to be distinguished altogether from those cases

> '. . . where a shareholder files a bill against the company and against the directors, treating the directors as his trustees, which in point of law they are, and seeking redress against them for a breach of trust. That kind of case is exactly the converse of the present. There the shareholders who file the bill in point of fact allege that the company has done no wrong whatever, that it is the executive which has committed the wrong, and they – the shareholders – file the bill to protect, as it were, the company from the unlawful acts of the directors. There the directors, being in the position of trustees, are of course liable in this Court.'

A few years later Lord Selborne, L.C., concisely stated the dual capacity of directors, when he said in *Great Eastern Railway Co v. Turner* ((1872) L.R. 8 Ch. App. 149, 152):

> 'The directors are the mere trustees or agents of the company – trustees of the company's money and property – agents in the transactions which they enter into on behalf of the company.'

Lord Justice James' View

In their capacity as trustees, directors are admittedly not quite so strictly liable as trustees in the ordinary sense. Indeed, James, L.J., saw a great difference in the duties of a director as against those of a trustee when he said, in *Smith v. Anderson* ((1879–80) 15 Ch.D. 247, 275, 276):

> 'To my mind the distinction between a director and a trustee is an essential distinction founded on the very nature of things. A trustee is a man who is the owner of the property and deals with it as principal, as owner, and as master, subject only to an equitable obligation to account to some persons to whom he stands in the relation of trustee, and who are his cestuis que trust. The same individual may fill the office of director and also be a trustee having property, but that is a rare, exceptional, and casual circumstance. The office of director is that of a paid servant of the company. A director never enters into a contract for himself, but he enters into contracts for his principal, that is, for the company of whom he is a director and for whom he is acting. He cannot sue on such contracts nor be sued on them unless he exceeds his authority. That seems to me to be the broad distinction between trustees and directors.'

The fact that a director is never the legal owner of the property of the company does, of course, differentiate his position from that of a trustee in the ordinary sense, since the ordinary trustee is the legal owner of the property which is the subject-matter of his trust. But if the director misapplies the funds of the company he becomes clothed with the habit of a trustee to the extent that, prior to the Trustee Act, 1888, he was disentitled to the protection of the Statutes of Limitation, and he is now entitled only to the limited protection afforded to trustees by Section 19 of the Limitation Act, 1939.

Liabilities as Agents

So long as a director does not exceed his authority in making contracts for his company he does not risk incurring personal liability. Nor can he be liable on the contract if it is made without authority, but in this case he may lay himself open to an action for breach of warranty of authority at the suit of the other party to the agreement, the action being founded on an implied promise by the director that he had authority to make the original contract. Immunity from personal liability is, on the normal principle of agency, lost if the director binds himself personally. What it is important to notice is that a director who fails to use the word 'limited', or an abbreviation therefor, in the name of the company makes himself liable on the contract.

The duty of a director who is directly or indirectly interested in a contract of his company to make full disclosure of his interest is given statutory effect by Section 199 of the Companies Act, 1948. It is to be observed, moreover, that subsection (5) of that section provides that nothing in the section is to be taken to prejudice the operation of any rule of law restricting directors from having any interest in contracts with the company.

Fraud and Other Torts

In conclusion, mention must briefly be made c the personal liability of any director who is party to a fraud, such as the issue of a frauduler prospectus, or who commits any other tort. It : a general principle of law, as applicable in th case of a company and its directors as in an other, that he who commits a wrong is himse liable, no matter that he was acting as an ager or servant of another. Agency or service cann impose a duty to commit a wrong.

Failure by a director to perform his duty t the company amounts to negligence with i consequent liability. But negligence must l proved by those who allege it, and director however unenviable their position may in mar respects be, are permitted a wide discretion, an if they act in good faith, the Court can exerci its discretion and grant them relief.

INCOME TAX FOR WAGE EARNERS

by F. H. HUGHES

The reform of P.A.Y.E. suggested in this article is primarily the outcome of comments which the author received from readers on his article entitled 'Reform of P.A.Y.E.' published in our issue dated April 16th, 1949. There are three amendments which he considers essential: (a) the quarterly use of moving annual totals of earnings instead of the aggregate amounts in the fiscal year, to produce a smooth tax rate unaffected by recurrent seasonal changes; (b) the proportionate tax expressed as rate per £ of wages instead of as mean and deviation, to avoid unfamiliar statistical terms; and (c) the staggering of the quarterly calculations over three months, to prevent peak loads in the wages department.

PAY-AS-YOU-EARN has been severely criticized. It has a strong disincentive effect on variable wages, it is obscure to the taxpayer, and both cumbersome and costly to administer. Its main achievement is the collection of the year's tax at the end of the year. Any suggestion for reform must aim at removing the disincentive effect, must be fair to the employee, easy to understand, simple and cheap to apply, and it must ensure a speedy and controlled tax collection. The following suggestions are not concerned 'with the present system of personal allowances, reliefs and rates of tax as a means of distributing the tax burden', which is to some extent a political problem, but with the incidence and the effects of the taxation connected with the weekly assessment and collection of a basically annual tax; this particular question can be examined purely as a statistical and accounting matter.

The Theory of P.A.Y.E.

Any progressive tax unavoidably causes some disincentive effects. In the case of P.A.Y.E. this is aggravated because not only the tax, but also its collection, is progressive and because the progression is applied to the weekly payments. P.A.Y.E. is calculated each week as if the earnings to date would continue at the same rate to the end of the fiscal year. P.A.Y.E. thereby assumes the prerogative of Providence – to know the future. For persons in seasonal employment this is clearly wrong and leads to anomalies like repayments of tax or to tax-free periods of employment. For all employees with varying wage payments, it results in taxation at marginal rates.

Income-tax is steeply progressive in the range of incomes which concern us here, owing to the tax-free personal allowances and the three basic tax rates (*2s* 6d, *5s*, *9s*) as shown in Table I. It will be noted that the progression is steeper at the lower end, and that the marginal tax rate (basic tax rate less earned income allowance) is in most cases twice the effective tax rate (total tax divided by annual income); at the lower end it is much higher. Under P.A.Y.E., the weekly deduction is the aggregate tax to date less the aggregate tax to the preceeding week; any change in the weekly earnings is thereby taxed at *4s* or *7s 2d* in the £. Permanent changes in earnings immediately attract the correct progressive tax. Desirable as this result is, at the time of the wages payment those changes obviously cannot be distinguished from temporary fluctuations. For these, however, the deductions under P.A.Y.E. become quite arbitrary, since a week's portion of a progressive tax is not defined if the annual income is not known; they have to be compensated by some more erratic deductions in the following weeks. In fact, the weekly deductions are the rate of change of tax, i.e. the differential of the annual tax.

Effect of Marginal Taxation

Income-tax is progressive on the grounds that persons who maintain a higher standard of living should contribute a higher proportion of their incomes to the community; but the varying wages payments often cover the same standard of living which is taxed at different rates week by week. The wages are unequal instalments of a fairly stable average income. The deviations can be caused by sporadic overtime or short workings, night shifts, periodical bonus calculation or by varying piecework earnings. The disincentive effect would be less marked if a previously assessed tax was only collected progressively; but P.A.Y.E. claims not only to collect tax, but to be the tax on the week's earnings, and thereby demonstrates to each employee that 20 per cent (or in the higher income groups 36 per cent) is deducted as a tax burden from his extra earnings; any reduction of a week's wages is mitigated by a reduction of tax at the marginal rate or a tax refund.

It is absurd that any absentee should be assured of an immediate tax reduction or cash refund.

But more important still is the general appreciation that each pound gained is worth only 16*s* or even 12*s* 10*d*, and that for each pound lost he forfeits only 16*s* or even 12*s* 10*d*. In a free society effort is controlled by pecuniary award. It is not enough to appeal to men to work harder, to attend more regularly, to go all out for available labour incentives, when every relapse is awarded a tax benefit, every effort deprived of its fruits by the marginal taxation.

Without P.A.Y.E., incentive labour schemes would come into much wider use, not only because they would be more effective, but also because moderately incentive bonus schemes – which are now quite useless – would become attractive and could be set up where a straight piece rate cannot be arranged. P.A.Y.E. constitutes a retarding element in the country's economy. Productivity could be improved if the restraining effect of P.A.Y.E. could be overcome.

Progressive Taxation

The progressive character of income-tax cannot be eliminated. Even the proposal of a flat-rate tax contains the mark of progression in the personal allowances. Nor can the average gradient of progression be reduced unless the tax burden is considerably increased for the lower incomes; it would be impracticable to reduce the tax at the upper end of the range, not only because of the loss of revenue, but because of a discontinuity of taxation in the ranks of salaried persons. Such an attempt would differentiate between weekly wages earners and monthly paid employees or self-employed persons and would make a distinction which is alien to our society. The inclusion of the national insurance premium, which is a 'poll-tax', would flatten the progression but not extinguish it. Besides, many an argument could be raised in favour of a separate collection of the national insurance premiums; this point cannot here be discussed further. The following proposals, however, can be applied to the collection of either income-tax alone or of the sum of tax and insurance premium.

Theory of a Reform

The recommended solution is a *proportional tax collection*, *superimposed* on a *progressive tax*. Short-term fluctuations of earnings which are not significant of a change of income would be accounted for by a proportional variation of the tax deduction, whilst permanent alterations in income would attract progressive taxation at marginal rates. The different causes of wage variations, however, do not provide a means of distinguishing between the two – the only practical solution is the passage of time. The critical period must be a common factor of 52 owing to the peculiarities of our calendar; the choice lies therefore between 4 and 13 weeks. As the former value is rather small, this leads to one practical answer: the *quarterly assessment* of tax with a proportionate tax deduction for deviations in the next quarter.

The assessed tax divided by the income of the period gives the average tax percentage, simply expressed as effective tax rate of *s* and *d* per £ of weekly earnings. The weekly deduction is weekly wages times effective tax rate. If earnings rise, the collected tax will be proportionately higher than the quarterly assessed tax, and vice versa. On short payments the deductions are proportionately reduced, but there is no tax-free minimum, nor a tax refund, the personal allowances having been applied at the quarterly assessment and included in the effective tax rate.

As bases for the quarterly assessment the following could be considered:

(*a*) The earnings of the previous quarter; this is unsatisfactory owing to seasonal variations: it would give a lower rate at the beginning of the season and a higher rate in the off-season.

(*b*) The aggregate earnings in the fiscal year, using tax tables for week 13, 26, 39, as was suggested on a previous occasion; it was found, however, that this method causes some complications due to the use of various statistical terms.

(*c*) The *moving annual totals of earnings*. This effective statistical device is now recommended. It is very easy to use. In general, it reduces changes of the effective tax rate to the minimum. It gives a perfect fit to seasonal deviations. In case of permanent change of earnings, the effective tax rate is gradually adjusted in the course of one year.

The tax would be assessed quarterly by the employer on the earnings of the last twelve months the annual tax divided by the income of the period gives the effective tax rate for the next three months. It will be noted that this method can be applied to all and any forms of tax assessment irrespective of type and amount of allowances, of number and amount of basic tax rates. If preferred, national insurance premiums can be included

Administration of the Proposed New Tax

The employee would be informed of his effective tax rate each quarter and could truly check his weekly deductions. He would see clearly that he was paying only 1*s* or 2*s* in the £ – the illusion of a tax burden of 5*s* and 9*s* would be gone. Each week the wages clerk would multiply the wages, corrected to the nearest 10*s*, with the effective tax rate and record wages and weekly tax; instead of six columns as at present, only two would be completed; no tax tables would be used.

At the end of each quarter, the wages clerk would add up the wages column, entering the sum in a table which contained the earnings of the three preceding quarters, and arriving at the annual income. He may then apply tax tables A and B of week 52 and divide the tax by the income. But it is simpler to provide a table which gives the limiting values of incomes for each code number and each penny of effective tax rates. In the column for the correct code number the earnings equal to, or first higher than, the income would be selected, and the effective tax rate read off in the margin of that row. The annual tax would not be required except for the annual reconciliation, for which case tax tables A and B would have to be consulted.

Staggering of Calculations

The quarterly computation would not involve more work than the present weekly calculation and, moreover, could be done at any time between the pay-days of week 13 and week 14. But if it were desired to avoid any peak load, the work could be broken down into three groups, each displaced by four or five weeks, so that in each month one-third of the tax cards were recalculated according to the initials of the employees. Their tax year would be out of step with the fiscal year by not more than nine weeks. A far wider concession of such type exists for the permissable accountancy date under Schedule D.

On change of employment the following information would be required on form P45: date, effective tax rate, tax paid in current year, code number, wages in current quarter and in the three preceeding quarters.

Controls

After an initial period the new method would not involve a greater risk of clerical errors than P.A.Y.E. The following controls are available:

1. A monthly sub-total of the tax deductions on each tax card. The sum of these sub-totals to agree with the monthly remittance and the sum of the tax deduction totals in the cash-book.

2. A quarterly check of the weekly deductions: the quarterly wages multiplied by the effective tax rate give the proportionate tax liability for the quarterly earnings. A difference, which might be due to the approximation to the nearest 10*s* of weekly wages or to a clerical error, to be adjusted in the next two or three weeks by an addition or refund. This check could be made after week 14.

3. Balance between tax deductions and progressive annual tax liability – see below.

The proposed method does not complicate the supervision by the Inland Revenue: the totals of all tax cards should agree with the annual remittance after correcting for the staggering of two-thirds of the cards by one or two months. Audit of individual cards: check addition of wages and of tax deductions, check the quarterly tax extensions, add up the table of the four quarterly earnings and look up the effective tax rates for the moving annual totals.

Incidence of the New Tax

(*a*) *Variable wages within the quarter*

Variations of wages payments would cause a proportionate variation of tax deductions. There is therefore no disincentive effect. When the quarterly mean of the wages remains unchanged, the deductions per quarter, and per year, will equal the total deductions under P.A.Y.E.

(*b*) *Seasonal earnings*

When the quarterly averages vary owing to seasonal deviations, but provided the moving annual totals do not change over at least two years, i.e. if a person earns in each quarter the same amount as in the corresponding quarter of last year, the same proportionate effective tax rate covers all four quarters and the total deductions during the year are the same as at present; this is the chief advantage of the moving annual totals.

(*c*) *Permanent change in income*

Permanent changes in earnings will, after the first quarter, gradually change the effective tax rate, until after three further quarters the new progressive value of the tax rate is reached. That means that an employee who obtained a higher income would, for twelve to fifteen months, pay less tax than at present and vice versa, the difference for a change of 10 per cent of the earnings being 1–2 per cent of the income or 10–20 per cent of the tax.

The difference *D* between yearly deductions arrived from a proportionate tax with moving annual totals at each quarter and a single annual

assessment as under P.A.Y.E. can be found from the following formula which is derived from simple tax definitions. It is valid for variations within each step of the basic tax rate.

r = basic tax rate, e.g. $r_2 = 0{\cdot}25$, $r_3 = 0{\cdot}45$.
C = personal allowances plus fixed sum for tax at reduced rates, if any, e.g. for a single person $C_1 = 110$, $C_2 = 110 + 25$, $C_3 = 110 + 125$.
q_1 = earnings in quarter 1.
A_4 = earnings in year ended with quarter 4.

$$D = -rC\left\{\frac{q_5}{A_4} + \frac{q_6}{A_5} + \frac{q_7}{A_6} + \frac{q_8}{A_7} - 1\right\}$$

It will be seen that $D = O$ not only when all q's are equal (case (*a*)), but also when $q_n = q_{n+4}$ (case (*b*)). Values for permanent changes are shown in Table II. The more appreciable amounts occur only in the columns of r_3, which corresponds to an annual tax of more than £56 5*s*; the differences, therefore, do not exceed 10–20 per cent of the tax.

A strong case can be made out for ignoring these differences altogether. A person who can improve his standing should not be discouraged from doing so by immediate progressive taxation. If the increase were not due to personal advancement, but to a more general rise of money wages caused by a devaluation of the currency, there would still be no case for progressive taxation of wages, the real value of which has not at all increased; at least a year's tax of moderated progression should be allowed. If this principle were accepted, the proportionate deductions for each quarter, corrected for errors or approximations as described above, would then constitute the final tax liability, whether higher or lower than the present taxation.

(d) Temporary change
A temporary fluctuation of earnings which affects one quarterly mean only would first have the effects as described under (*c*), but the effect would extend into the next tax year with opposite sign: a temporary increase would in the first year produce less tax than at present; in the next year, more. In total, the deducted tax in the case of such fluctuation, whether increase or decrease, would always be a little less than under P.A.Y.E. That small 'biased error' is caused by the three months' time lag: a proportional increase from a low tax level is less than the corresponding decrease at a higher tax level when the earnings return to their old value. Of two persons with the same income, the one who earns his income subject to irregular changes would pay slightly less tax.

Some examples are shown in Table III. The differences are very small for fluctuations up to 20 per cent. Fluctuations of −50 to −100 per cent result from occasional unemployment; a recurrent, seasonal unemployment would not create any difference (case (*b*)).

(e) Prolonged unemployment
For unemployment of more than three months, the moving annual totals would produce an extended tax-free period with loss of revenue. The formula given for D is not valid for this case, since the tax falls to zero. Under P.A.Y.E., the tax liability depends largely on the dates of the period of unemployment. An example will make it clear; a single person earning £400 p.a. pays £46 5*s* tax. If in the course of, say, three years he were without income during one whole fiscal year, his tax liability for the three years is £92 10*s*. If, however, that period lies from 6th October to 5th October next, his liability is only £46 5*s* + £6 5*s* + £6 5*s* = £58 15s. Under the suggested method, without any further adjustment, it would amount to £58 2*s* 6*d*, irrespective of the calendar dates of the unemployment.

Annual Reconciliation

It may be postulated that the tax deductions of a year should agree with the annual tax assessment. To meet this condition the differences mentioned under (*c*) to (*e*) can be controlled and recovered in this way: at the last quarter of the year the tax tables of week 52 would be used; dividing the difference between the tax due and the tax deducted by the annual income gives an adjustment to the effective tax rate for the whole of the following year. As such differences tend to change signs as mentioned under (*d*), the resultant being negative, overpayments should be held over, until it became certain that they were caused by a permanent decline in earnings, whilst underpayments should be recovered at half their amount only, the rest being left to adjust itself through the moving annual totals. The alterations of the effective tax rates would not be more than 10–20 per cent of their value. Hereby, the same amount as under P.A.Y.E. would finally be collected from every employee, except in those few cases where a person ceases to be subject to taxation before the amount is recovered.

Yield of reformed tax
It is suggested here, however, that the agree ment with the aggregate annual tax as describe above, is neither necessary nor even opportune the differences can be set off against th

TABLE I

Tax on weekly earnings (1/52nd of annual income)

Wages	Weekly tax: Single person	Weekly tax: Married man	Weekly tax: Married man 1 child	Tax rate per £: Single person: Effective tax rate	Single person: Marginal tax rate	Married man: Effective tax rate	Married man: Marginal tax rate	Married man 1 child: Effective tax rate	Married man 1 child: Marginal tax rate
£	s d	s d	s d	s d	s d	s d	s d	s d	s d
4	3 0	Nil	Nil	9	4 0	—	—	—	—
5	7 0	1 4	Nil	1 5	4 0	3	2 0	—	—
6	11 0	4 4	6	1 10	4 0	9	4 0	1	2 0
7	15 0	8 3	2 6	2 2	4 0	1 2	4 0	4	4 0
8	19 0	12 4	6 6	2 5	4 0	1 6	4 0	10	4 0
9	24 0	16 3	10 6	2 8	7 2	1 10	4 0	1 2	4 0
10	31 4	20 3	14 6	3 2	7 2	2 0	4 0	1 5	4 0
11	38 7	26 6	18 7	3 6	7 2	2 5	7 2	1 8	4 0
12	45 8	33 7	23 2	3 10	7 2	2 10	7 2	1 11	7 2

TABLE II

Difference between new tax and P.A.Y.E. of deductions over four quarters when earnings have permanently changed

Percentage change	Over/ under payment	r = 5s: Single person	r = 5s: Married man	r = 5s: Married man 1 child	r = 9s: Single person	r = 9s: Married man
		£ s d	£ s d	£ s d	£ s d	£ s d
+ 5 per cent	—	1 1 0	1 12 0	2 1 0	3 5 0	4 5 0
+ 10 ,,	—	2 1 0	3 3 0	4 1 0	6 9 0	8 7 0
+ 20 ,,	—	4 1 0	6 2 0	7 18 0	12 12 0	16 7 0
— 10 ,,	+	2 3 0	3 6 0	4 5 0	6 16 0	8 16 0
— 20 ,,	+	4 9 0	6 15 0	8 15 0	13 19 0	18 2 0

TABLE III

Difference of tax deductions over five quarters resulting from a change in earnings of one single quarter, all other quarters being unaffected

Percentage change	Over/ under payment	r = 5s: Single person	r = 5s: Married man	r = 5s: Married man 1 child	r = 9s: Single person	r = 9s: Married man
		£ s d	£ s d	£ s d	£ s d	£ s d
+ 10 per cent	—	0 0	1 0	1 0	1 0	2 0
+ 20 ,,	—	2 0	3 0	3 0	6 0	7 0
+ 50 ,,	—	9 0	14 0	19 0	1 10 0	1 18 0
+ 100 ,,	—	1 14 0	2 11 0	3 6 0	5 6 0	6 17 0
— 10 ,,	—	1 0	1 0	1 0	2 0	3 0
— 50 ,,	—	12 0	18 0	1 4 0	1 18 0	2 9 0
— 100 ,,	—	2 16 0	4 5 0	5 10 0	8 16 0	11 9 0

Table III is based on $D' = -rC\left\{\frac{q_5}{A_4}+\frac{q_6}{A_5}+\frac{q_7}{A_6}+\frac{q_8}{A_7}+\frac{q_9}{A_8}-1{\cdot}25\right\}$

expected general rise in the yield of income-tax on wage earners, and the proportionate tax based on moving annual totals is fairer to the taxpayer than P.A.Y.E. A rise in wages caused by higher productivity and better attendance would increase the revenue, first proportionally and, a few months later, at marginal rates. An increase of all taxable wages by 1 per cent would first increase the yield by 1 per cent of the tax, i.e. £4·4 million, and, finally, by approximately 0·25 per cent of the taxable incomes, i.e. £12–£15 million. The loss of revenue caused by the fluctuations of case (*d*) would not be large even if it concerns a portion of 20 million taxpayers (these figures are for the year 1948–49). The deficiencies for case (*c*) are the second differences between the ± changes of the same percentage in Table II (e.g. for ± 10 per cent, married man at 5*s* basic tax rate, it is 3*s* per annum). Some allowance must, however, be made for the fact that more incomes are always increasing than declining for an unchanged total wage bill, since the older generation is replaced by the advancement of the younger people.

Adjustments

The heavier losses of case (*e*) can be reduced or prevented by some empirical device like the insertion of a nominal earnings in the moving annual totals, e.g. if the earnings of two or more quarters are nil, or less than 50 per cent of those in the current quarter, the value of the earnings in the preceding quarter, and only in that, will be assumed to be equal to those in the current quarter, and that value will be used for computing the present and the three following moving annual totals. An employee starting work after prolonged unemployment would then be tax free for three months, and would pay a reduced tax for a further six months, the total being probably slightly less than his present liability, which depends on the calendar date of the entry into the new job. This correction would not apply to seasonal unemployments for which the difference is nil as shown under (*b*). In the example of case (*e*) the correction would increase the tax deductions from £58 2*s* 6*d* to £69 13*s* 9*d*.

Conclusion

The incidence of taxation has been discussed in great detail to satisfy the Exchequer that at least the same level of yield of taxation is maintained. The details concern but little the employees or the employers. They should not detract the attention from the advantages which a proportionate taxation, free from restrictive effects, can offer; they should not obscure the claim made for the suggested reform that the tax is fair to the employee, easy to understand and simple to administer.

THE INSPECTOR OF TAXES INTERROGATES

CASUAL LABOUR FOR FRUIT PICKING

by WILFRED TULLETT, F.S.A.A.

The Editor informs readers that the characters and places in the following article are purely imaginary and that no reference is intended to any living person or to any particular place.

SCENE: *An Inspector of Taxes' office in the fruit-growing country. One window has a pleasant view of the river. Another overlooks the railway station yard. A man, obviously a visitor, is idly watching lorries being stacked high with chips of fruit. The man turns towards the long station exit. The Inspector watches him until he is out of sight. The telephone rings.*

INSPECTOR: Yes?

CLERK: Colonel ffruit-stone to see you, sir.

INSPECTOR: Colonel ffruit-stone?

CLERK: Yes, sir. The owner of ffruit-stone Plantations.

INSPECTOR: Ah, yes, I remember. I have his file here. Ask him to come up.

A few moments later there is a knock on the door, and a man in plus-fours enters followed by a spaniel dog which promptly curls up on the mat before the fireplace.

INSPECTOR: Good afternoon, Colonel. I am glad to see that you have been able to call. Take a seat.

FFRUIT-STONE: Good afternoon, Inspector. Thank you. I am glad of a rest. We have had a very busy morning – labour gets more difficult every day.

INSPECTOR: You are finding it difficult getting work-people?

FFRUIT-STONE: Oh, I can *get* them all right. It is *keeping* them that is my headache, and it is your department which is at the root of all the trouble. It . . .

INSPECTOR (*cutting in*): You mean that these people do not like the P.A.Y.E.?

FFRUIT-STONE: You've said it, Inspector. The

mere mention of P.A.Y.E., and they are off like lightning.

INSPECTOR: Yes, I realize that. You are not the only one in my district who is having the same trouble. How do you manage?

FFRUIT-STONE: Well, I must have employed nearly all the gipsies in England by now.

INSPECTOR: What has *that* got to do with it?

FFRUIT-STONE: Everything. It is *because* of the P.A.Y.E. that I have to employ so many people.

INSPECTOR: You mean that you have to employ a large number of 'casuals'?

FFRUIT-STONE: That's it. You see, Inspector, it is like this. When the fruit season is in full swing I *must* have labour to get my fruit off the plantations, and get it off quickly. It is a matter of labour or just allowing the fruit to rot on the trees. You see my problem?

INSPECTOR: Yes, I can see that, and, believe me, I do appreciate your difficulties.

FFRUIT-STONE: If I suggest deducting tax from wages, I shall get little labour, certainly not the kind of skilled labour (and fruit picking *is* skilled labour) that I want. So nearly all my labour just has to be casual, and no tax deducted.

INSPECTOR: A difficulty, I admit, but . . .

FFRUIT-STONE: Just let me take one day. A group of men and women will come to work for me, say, on Friday. On Friday evening they will go off in a drove to a neighbour. A week later they may be back with me. I may have a hundred of them at one time. They can earn large wages as they are on piecework. But mention P.A.Y.E. and, bluntly, I've had it!

INSPECTOR: I do not wish to make things more difficult for you, Colonel. I suppose that you do take all their names and addresses for record. . . .

FFRUIT-STONE (*laughing*): Which shows that you have not been very long in this district, Inspector. I did try it for a period but soon gave it up.

INSPECTOR: Why?

FFRUIT-STONE: Because if I ask one of my 'casuals' what his name is, he just *senses* income-tax. He will look at me blandly, and tell me that his name is Robinson, but it is probably some other name, so what is the use?

INSPECTOR: I see.

FFRUIT-STONE: And another thing which may interest you, Inspector. If my bank happens to be closed before I can get to it, one of my 'casuals' will accommodate me.

INSPECTOR: Accommodate you?

FFRUIT-STONE: Yes. They *know* me. I give them an open cheque in exchange for the cash, and they cash my chèque at the bank the next day.

INSPECTOR: And where do they keep their money?

FFRUIT-STONE: In a sprout-net, as like as not. It is a good job I have a sense of humour. A few days ago a group called at the front door of ffruit-stone Hall, and kept me talking for some time. The joke was on me. Whilst we had been talking, some of their friends were at the *back* of the Hall cutting wood for clothes-pegs out of *my* trees.

INSPECTOR (*flabbergasted*): *Well* . . . .

FFRUIT-STONE: And that was not the end of it. The cream of the joke was this. A little later in the day they sold those same clothes-pegs to my own wife, and *she* had to borrow the money from me to pay for them!

INSPECTOR (*human at last*): Well, I'm . . . that is to say . . . a very curious happening, Colonel, *very* curious.

FFRUIT-STONE (*dryly*): *Very!* However, I digress. What I want to know is what am I to do about this P.A.Y.E. business? It is your advice I want. . . .

INSPECTOR (*his eyes twinkling*): Get their names and addresses, Colonel; you must give me something to go on.

FFRUIT-STONE: Whether it is Smith, Jones, *or* Robinson?

INSPECTOR: Whether it *is* Smith, Jones, or Robinson.

FFRUIT-STONE (*amused*): I will see that you get your list, Inspector . . . but I *must* get my fruit off.

INSPECTOR: Of course you must. You let me have your list and we will try and sort them out later.

FFRUIT-STONE: Well, that is a weight off my mind. You have been a great help. I think that you and I would get on, Inspector. Like to come for a bit of shooting one afternoon?

INSPECTOR: I would *that*.

FFRUIT-STONE: Right. I will ring you up one day and we will fix it up. Now I must be off. Good-bye for the present.

INSPECTOR: Good morning, Colonel . . . and thanks.

The gallant Colonel leaves the room followed by his dog. He approaches a lorry marked ffruit-stone Plantations and sees three gipsies, an old man with a beard, and several youngsters, all with their legs dangling over the side of the lorry, waiting for a lift to the plantations.

OLD MAN: 'Morning. What be thee doing in the income-tax office, Master?

FFRUIT-STONE (*innocently*): Fixing up a bit of shooting, Joe; fixing up a bit of shooting.

WEEKLY NOTES

Building Societies in 1950

For the last few years the building society movement has suffered from what might be called an *embarras de richesses*. There has been a very large demand for mortgage facilities from the public despite the Government's policy of favouring house building for rent-paying tenants. In consequence, most of the increased activity in mortgage business has been stimulated by existing property changing hands at ever higher prices as the price level has risen. The strength of property values has, indeed, been one of the features of the last few years. This brings its problems to the building societies. Business is not difficult to come by and much attention has to be given to vetting applications and finding profitable outlets for mortgage repayments as these follow on in due course from the growing volume of outstanding mortgages.

The movement, led by the large societies, has been fully aware of the need for circumspection in dealing with this problem. Business has continued to expand, but increasing care has been taken of late with the choice of type of mortgage and the terms on which funds to purchase are advanced. These trends last year are perceptible in figures, covering most of the societies, recently published in the *Building Societies' Gazette*.

Last year share holdings advanced from £856 million to £966 million, that is by £110 million. Deposits increased from £202 million to £204 million. Bank loans were fractionally higher at £18 million and reserves rose by £4 million to £71 million. Balances due to shareholders moved up rather more quickly than the other liabilities. On the assets side, outstanding mortgages increased from £954 million to £1,062 million, investments from £146 million to £153 million and cash from £31 million to £33 million. Cash just about managed to keep pace with mortgages, but investments were less successful. A glance at the receipts and payments side of the societies' activities for the year, however, shows mortgages advances £3 million lower than in 1949, an indication of greater selectivity.

Raw Materials Shortages

In a debate in the House of Commons last week, the President of the Board of Trade gave the latest information available to the Government about the scarcity of key materials for industry. So far as the cotton position was concerned, he said, the Raw Cotton Commission was hampered by the decision of the United States to limit the size of the export allocation. In consequence, the Commission had been looking elsewhere for supplies and bulk contracts had been entered into between this country and the Sudan, and also with East African territories. An allocation scheme for sulphur was ready for introduction. This would ensure sufficient supplies for the vital needs of key industries, but some others would have to go short, notably chemicals and rayon. He hoped that it would not be necessary to introduce the allocation scheme, but it was necessary to give warning about the gravity of the shortage.

So far as newsprint was concerned, the President said that the Government supported the idea of a pulp and paper commodity committee – presumably an international one.

Railway Workers Win

The railway unions have won their demand for higher wages. So far as the negotiations are concerned, they have every reason to be pleased with themselves. They have obtained an increase of £12 million in the wages bill and have given away no more than a general undertaking to speed up the rationalization of labour – an undertaking which could mean much or little. The burden of the increase is to be passed on to the public in the form of higher charges, not as had been thought possible at one time in the form of a larger subvention from the taxpayer.

The strike threat from the railwaymen has probably been the most important issue in matters of labour policy which has faced the Government since the end of the war. It abounds in principles and lack of principles. First as regards the principles; the threat to strike has been the first head-on collision between labour and a nationalized industry and the Government since 1945; the question of a national minimum wage for an industry which is not paying its way has been given a precedent; the circumstances under which a nationalized industry might be relieved from its statutory obligation to pay its way have been aired.

So far as the lack of principle is concerned, the labour leaders have shown themselves singularly unwilling to dissuade their members from resorting to strike action while the negotiations were going on. Again, the negotiations have shown how difficult it is to preserve the principles of collective bargaining when three unions mutually unco-operative are involved and the Government is in the background to influence the attitude of both sides – almost in the position of a jury for the unions and of an opportunist mentor for the Railway Executive.

In the case of the railway workers there is a good deal of public sympathy for their demand for higher earnings at the lower end of the wage scale. They will now be called upon to show their sympathy in a practical fashion by dipping their hands into their pockets further than before when they travel by train or despatch freight by rail. This will be unpleasant enough. But even more distasteful to the public, in the long run, may be the object lesson in intransigeance which the railway union leaders have shown to the rest of the trade union movement.

United States Bond Policy

A preliminary statement has been issued in Washington of a new $2\frac{3}{4}$ per cent Federal Bond, without redemption dates. Full details of the issue are to be made known on March 19th and until then it is not possible to be dogmatic about the significance of the new series. But having made that caveat, the new bonds suggest that an important departure of policy for the United States bond market has been initiated, and that a serious controversy between the United States Treasury and the Federal Reserve Board has been taken a step further.

It is not necessary here to sketch the controversy. Suffice it to say that at one stage the matter called for the publicized intervention of the President himself. Broadly, the Treasury has taken the view that cheap money must be maintained in order to limit the burden of interest payments on the taxpayer. The Federal Reserve Board has held the view that the present inflationary forces in the United States could be more easily contained if the Board were allowed to indulge in open market operations to curb credit expansion by the banks, and to establish a rate of interest on Government bonds which is attractive to the investor, and which will therefore operate to make people hold bonds. Until recently it seemed that the Treasury would win the battle.

The issue of a $2\frac{3}{4}$ per cent bond is a first sign that the fight may be going the other way, for it breaks the previously held defence line of $2\frac{1}{2}$ per cent. But the limitations on the new bonds are complex, and, from this side of the Atlantic somewhat cumbersome. The bonds are not marketable. On the other hand, it is reported that they are to be negotiable into bonds which are marketable. They will therefore be negotiable, if this is the case, at one remove. But on what terms remains to be seen.

Indo-Pakistan Agreement

By means of a trade agreement, ratified last week between India and Pakistan, an important step has been taken towards restoring normal trade between the two Dominions. The state of trade between these two countries is a significant factor in the world trade situation, with ramifications beyond the political factors affecting relations between India and Pakistan – important as these certainly are. A free flow of certain commodities over their mutual frontier affects the world supply position of two such key commodities as jute and rice. World jute supplies grown in Pakistan have to come through Indian ports. Pakistan rice for India means a smaller demand from India on the rest of the East's export surplus of rice – the staple diet of the Orient.

This agreement extends until June 1952. Pakistan will supply raw jute, raw cotton and food grains. In exchange, India will send coal, steel, textiles and cement. A long list has now been made of goods which are to be on open general licence between the two countries. India has accepted, also, the world par value of the Pakistan rupee. Previously it had held out for a degree of devaluation of the Pakistan currency, It seems that the upward movement of world prices has convinced the Indian Government that no devaluation of the Pakistan currency is likely and that it should accept the world parity of the Pakistan rupee and take the consequences which may work themselves out on its own price level.

REVIEWS

The Post-war Financial Problem
by F. W. Paish

(Macmillan & Co Ltd, London. 15*s* net)

The twelve thoughtful essays, collected mainly from periodicals, which make up this volume were written at various dates during the past thirteen years. Events move so rapidly nowadays that economic theories tend to become outmoded almost as soon as they are committed to paper, but the author's later essays, written between 1947 and 1949, dealing with the problem of financing post-war capital expenditure without causing continued inflation or further aggravating our balance of payments difficulties, are still very much to the point.

Settlements and Income Tax
by A. F. Bromige, Certified Accountant

(Taxation Publishing Co Ltd, London. 15*s* net)

Perhaps the most involved and difficult provisions of the Income Tax Acts are those concerning settlements. To deal with them, as most general works on income-tax do, by giving a summary, may be helpful for examination candidates but is of little use for practice, while to read the provisions themselves is hardly better. Mr Bromige has shown great courage by making a frontal attack on this thorny subject. Only those familiar with it will realize how much thought and labour he has put into the arrangement of his book, in examining the numerous decided cases, and in reducing them to a coherent exposition of what these notorious provisions are at present regarded as meaning.

Letter-writing
by G. O. E. Henderson

(W. & G. Foyle Ltd, London. 2*s* 6*d* net)

Lest this be thought too slight a book for review here, let us say that we know more than one professional man who could profit by reading it. The author makes a vigorous plea to letter-writers of all kinds to cut out jargon and ambiguity and to have some regard for layout and style. While we may disagree with some of his observations, we find his general aims wholly admirable.

FINANCE AND COMMERCE

Translation of the rising price of rubber into higher rubber estate dividends has brought virtual boom conditions to the rubber share market. Business in rubber shares is on a substantial scale and for the most part any profit-taking sales are easily absorbed. Rubber is now selling at 6*s* per lb. against 1*s* 6*d* a year ago. Commodity shares generally have provided the main market feature, for home industrial issues are gradually coming under a cloud of raw material and Budget uncertainties.

Balance Sheet Development

We reprint this week the accounts of Lumut Rubber Estates Ltd, as at September 30th, 1950. It is one of the old-established rubber estate companies under a distinguished chairman, Sir Eric Macfadyen, and with Harrisons & Crosfield Ltd, as its agents and secretaries.

Whereas last year normal practice was followed of totalling capital, capital reserves, revenue reserves and surplus, this year, a line has been drawn under capital reserves to provide an extra total for subscribed and reserve capital. The balance sheet is, as it were, ruled off at that point and a balance carried down as 'capital, development and replacement fund represented by unallocated capital expenditure and cash below' which is shown as a deduction from the total of current assets.

The amount in the capital, development and replacement fund, the chairman points out, is principally represented by liquid assets and the layout gives an indication of the soundness of the company's finances. Sir Eric further points out in regard to the rise in the price of rubber that the extent of the rise is but equal to the rise in a composite unweighted index of nine other major commodities from 100 as in 1939 to 350 now. In the case of rubber, however, it all took place in twelve months.

Initial Allowances

Readers will have noticed that among the movements in the reserve of Arthur Guinness, Son & Co Ltd, shown in the table given on page 83 of January 27th was a transfer of £77,000 from the reserve for future taxation to open an income-tax initial allowances reserve.

Mr C. W. Aston, A.C.A., remarks on this new development with approval. Proposals may one day be made for withdrawing initial allowances, he says, despite the fact that the relief received may have become an integral part of commercial capital. If, when that day arrives, he comments, it has become a generally accepted practice to classify the relief as a reserve for future taxation, we shall be forced to admit that we regard the relief as a liability, with possibly disastrous results to the financial structure of industry.

First Public Accounts

The twenty-fourth annual report and accounts issued by Robert Clough (Keighley) Ltd, are the first accounts since the company was converted into a public company. In this connexion, an interesting change in accounting procedure is explained in the directors' report. In general, it is stated, the accounts have been prepared on similar lines to previous years but a change has been made in the method of providing for profits tax.

In the accounts now submitted, profits tax has been provided at the estimated amount to be actually payable having regard to the amount of profits retained in the business. In previous years while the company was a private concern, the directors provided for the full distribution rate of profits tax and the non-distribution relief, less income-tax, was carried to a profits tax fund. The notes on the accounts show the October 1948 balance in this fund at £25,065 to which was added, £19,849 as the relief on undistributed profits for the period to October 1949, the total of £44,914 being carried to the general reserve.

We notice the appointment to the board of Mr E. J. Tucker of the merchant banking house of Messrs J. Henry Schroder & Co. Mr Tucker's appointment adds to a technical board a finance director of considerable experience.

Vono

Interesting appointments have also been made to the board of Vono Ltd, whose name is associated with beds and bedding. During the year of the accounts now issued, Mr W. L. Barrows, F.C.A., of Messrs Howard Smith, Thompson & Co, Chartered Accountants, of Birmingham and London, was appointed to the board and elected chairman. Mr G. H. Gunson, C.A., of Helbert, Wagg & Co Ltd, the finance and issuing house, also joined the board.

The course has been taken in these accounts of combining the 'legal and consolidated' profit and loss accounts. We use the inverted commas because while it is quite obvious what the chairman means in this reference to the change, the use of 'legal' in this context has been out-moded by the last Companies Act.

In any case, however, the change is welcome. We have often remarked at the needless repetition of revenue figures in companies' accounts.

Money Market

Applications for the £260,000,000 Treasury bills offered on March 2nd totalled £346,200,000. Bidding at £99 17*s* 5*d* the market received 65 per cent of its requirements. The average rate was slightly easier at 10*s* 28 7*d* per cent compared with 10*s* 3 04*d* per cent. This week's offer is maintained at £260,000,000 and there are maturities of the same amount. There is again no call against Treasury deposit receipts this week. Maturities amount to £25,000,000, of which £23,000,000 are held by the Scottish and clearing banks.

LUMUT RUBBER ESTATES LIMITED

Balance Sheet as at September 30th, 1950

(Exchange taken at 2s 4d per Malayan dollar)

	£	£	1949 £
Capital:			
Authorized	494,000		
Issued: Stock transferable in multiples of £1		485,482	485,482
Capital Reserves:			
Replacement of Planted Areas as at September 30th, 1949	12,500		12,814
Add Reserve this year	25,935		14,034
	38,435		26,848
Less Replanting and replacement expenditure for year .. £10,781; Clearance of rubber areas .. 7,654	18,435		14,348
	20,000		12,500
Rehabilitation	25,000		25,000
Staff Special	—		2,495
		45,000	39,995
		530,482	525,477
Revenue Reserves:			
General	13,400		13,400
Malayan Income Tax 1951 and U.K. Income Tax 1951-52	43,000		14,000
Profit and Loss Account: Balance carried forward	26,286		24,357
		82,686	51,757
		613,168	577,234
Current Liabilities:			
Sundry Creditors, including taxation ..	71,048		41,611
Interim Dividend paid October 31st, 1950	13,351		—
Proposed Final Dividend	26,701		13,351
		111,100	
		£724,268	£632,196

Notes.

1. Claims for war damage compensation have been lodged but not yet agreed and no credit has been taken for them in these accounts.
2. There is a contingent liability of £1,050 in respect of uncalled capital relating to Trade Investments.
3. Capital commitments at September 30th, 1950, are estimated at £5,460.

	£	£	1949 £
Fixed Assets:			
Estates, at net book amount September 30th, 1947, and additions at cost ..	373,558		
Less Destroyed areas written off ..	1,136		
Note: A charge for replacement of planted areas is not made annually, but appropriations are made from time to time to 'Replacement of Planted Areas Reserve'.		372,422	373,659
Buildings, Machinery, etc., at cost	86,914		74,176
Less Depreciation to date	32,111		28,041
		54,803	46,135
Trade Investments, at Directors' valuation		9,903	10,122
		437,128	429,916
Rehabilitation Expenditure		31,847	31,847
		468,975	461,763
Capital, Development and Replacement Fund: Represented by unallocated capital expenditure and cash below		61,507	63,714
		530,482	525,477
Current Assets:			
Rubber Stock, mostly at prices since realized	96,202		30,871
Stores and Materials..	3,768		4,058
Sundry Debtors and Advance Expenditure	7,881		6,897
Tax Reserve Certificates	41,725		23,550
British Government Securities .. .. (Market value at September 30th, 1950, £39,223)	39,645		39,687
Cash at Banks, on current and deposit accounts and in hand	66,072		65,370
	255,293		170,433
Less Capital, Development and Replacement Fund above	61,507		63,714
		193,786	106,719
		£724,268	£632,196

ERIC MACFADYEN, H. B. E. HAKE, *Directors.*

per pro. HARRISONS & CROSFIELD LTD, *Secretaries,*
J. A. BENTHAM, A.C.A.

PROFIT AND LOSS ACCOUNT, Year ended September 30th, 1950

	£	1949 £
Cost of Production	145,725	116,129
Depreciation of Buildings, etc.	6,094	6,286
London Office and administration expenses	1,289	935
Directors' remuneration	2,550	1,476
Contribution under guarantee to M.R.E.O.C. Ltd.	—	303
Balance, profit before taxation, carried down.. ..	138,722	43,967
	£294,380	£169,096
Tax deducted from investment income	653	508
Malayan Income Tax, 1951	24,000	7,500
United Kingdom Profits Tax on profit for year ..	27,000	7,700
United Kingdom Income Tax, 1951-52	43,000	14,000
	94,653	29,708
Less Double taxation relief	24,000	7,500
	70,653	22,208
Balance, profit after taxation, carried down	68,069	21,759
	£138,722	£43,967
Interim Dividend of 5 per cent less tax at 9s, paid October 31st, 1950	13,351	—
Proposed Final Dividend of 10 per cent, less tax at 9s	26,701	13,351
	40,052	13,351
Payments made on behalf of retired staff	2,495	505
Cost of destroyed areas written off	1,136	—
Loss on sale of securities	241	—
Transfer to Replacement of Planted Areas Reserve ..	25,935	14,034
Balance to Balance Sheet	26,286	24,357
	£96,145	£52,247

	£	1949 £
Net proceeds of 3,188,747 lbs (3,302,000 lbs) rubber sold and in stock	291,339	164,020
Excess proceeds of previous year's stock	771	3,212
Miscellaneous revenue	336	315
Trade investment dividends, gross	551	225
Interest on British Government Securities, gross ..	968	972
Bank and other interest, gross	415	352
	£294,380	£169,096
Balance brought down	138,722	43,967
	£138,722	£43,967
Balance forward from previous year	24,357	22,746
Balance brought down	68,069	21,759
Over-provisions for taxation in respect of previous years	156	6,577
Sundry recoveries relating to previous years	249	660
Withdrawn from Staff Special Reserve	2,495	505
Liquid Assets recovered in the East	819	—
	£96,145	£52,247

CURRENT LAW

Secret Trust in Will

In *Re Young; Young v. Young* (*Solicitors' Journal*, December 23rd, 1950) a testator left his estate to his wife and directed that when he died she should make a new will leaving the estate, in accordance with his known wishes, for the aid of distressed gentlefolk and kindred purposes. One of the witnesses was X and after the testator's death, the wife stated in an affidavit that it was her husband's wish that X should be a beneficiary. The question was whether X's claim was invalidated under Section 15 of the Wills Act, 1837.

Danckwerts, J, held that it was valid. There was a secret trust and secret trusts were unaffected by the Wills Act. Persons who took under a secret trust did not take under the will.

Validity of Lease: Mistake

Peters and Batchelor were partners in a grocery business carried on in premises the residue of the lease of which had been assigned to them. The lease described the premises as 'all that messuage shop and premises' and said nothing as to part being used for residential purposes. The plaintiff obtained the freehold reversion and let the top floor to the defendant rent free. The partnership was later dissolved and the plaintiff sold his share of the business to the defendant and granted her a lease of the upper part for twenty-one years at £115 p.a. In fact the upper part, unknown to both parties, had been let as a flat the rent of which was controlled under the Rent Restrictions Acts. When the defendant discovered this fact, she refused to pay more than the standard rent and the plaintiff claimed arrears or that the lease be rescinded.

The Court of Appeal held that there was mutual mistake, which was fundamental; accordingly, the plaintiff was entitled to have the lease set aside. ((*Peters v. Batchelor*) *Law Journal*, December 29th, 1950.))

Bill of Sale

In *Polsky v. S. and A. Services; S. and A. Services v. Polsky* (*Law Times*, January 12th, 1951), Lord Goddard, C.J., found for Polsky in the following circumstances. He bought a car from a dealer, but could not pay for it entirely, so he applied to S. and A. Services for an advance of £400. The transaction was carried out by the method in which the defendants usually did their business of financing car purchases, by documents by which the defendants bought the car from the dealer and entered into a hire-purchase agreement with the actual purchaser. The documents included a receipt which purported to acknowledge the cheque for £400 and another by which the plaintiff agreed that he understood that he was buying the car from the defendants. The plaintiff later claimed that the hire-purchase agreement was a bill of sale, being in effect an assurance of personal chattels, and void for want of registration under the Bills of Sale Act (1878) Amendment Act, 1882.

The learned Chief Justice stated that the main object of the Act of 1882 was to protect borrowers against lenders and this being so the Court were obliged to look behind the documents to discover the real transaction. He found it was a loan and that the agreement was a bill of sale and void for the reason stated.

Floating Charge

A Scottish case of no little importance was decided by the First Division of the Court of Session recently in *Carse v. Coppen*. Carse was the liquidator of a Scottish company which had given debentures embodying floating charges over its assets in favour of Coppen, who had lent to the company. The liquidator disputed the validity of the debentures on the ground that in Scottish law floating charges were impossible. The defendant argued that the debentures were valid at least as far as concerned the company's assets in England. The charges were in English form.

Lord Birnam in the lower Court had held that the charges were invalid. The higher Court agreed, Lord Keith dissenting. The Court did not accept Lord Birnam's argument from *Re Anchor Line Ltd* ([1937] 2 All E.R. 822) that such a situation fell to be determined according to the law of the country in which the company was domiciled. That case decided, the Court said, that a floating charge is a valid equitable charge which the English Courts may enforce even in regard to foreign land of a company within their jurisdiction. The Companies Act, 1948, was clear on the matter, confining to England, as it did, its provisions concerning floating charges.

Lord Keith dissented: 'I know of no principle on which it can be asserted that because Scots Law did not recognize a floating charge a deed which attempts to constitute a floating charge over assets outside Scotland is essentially invalid. . . . The effect of a security over foreign assets falls, in my opinion, to be determined by the *lex loci rei sitae*.' (*Law Journal*, January 26th, 1951.)

Companies Act, 1948, Section 210

A shareholder petitioned the Court in *Re Antigen Laboratories Ltd* (*Solicitors' Journal*, December 30th, 1950), alleging oppressive conduct of the company toward himself, and prayed for an order for the regulation of the company's affairs; or that such other order should be made as the Court might think just, directing investigation of the company's affairs or otherwise.

Roxburgh, J, said that it was not clear what the petitioner wanted. Relief sought under Section 210 ought to be clearly stated, but the prayer did not show what the petitioner thought the Court ought to do. The learned judge referred the petitioner to specimen form 5A in the Companies Winding-up Rules 1949, and gave leave for the petition to be amended.

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Schedule D: Adjustment

SIR, – I have today received from the Inspector of Taxes a query as to whether any adjustment is necessary to a Schedule D computation in the case of a privately owned café for 'own consumption' at the proprietress's wedding reception, which has inspired the following:

I taut I taw a puddy tat
come creepin' up on me
I looked again and saw it was
the H.M.I. of T.

His flashing eye and arid soul,
where no romance could be
Were bent on an adjustment
for cakes and cups of tea.

A lady had a cookie shop
and held a wedding feast,
Herself and newly wedded spouse,
and several friends at least

Were entertained, perhaps consumed
a fancy cake or two,
But who could concentrate on food
where lovers bill and coo?

Because of this, the Inspector said,
the profits were deflated
And for the year under review
no proper income stated.

And so he said, according to
the rules of Schedule D,
Something must be added back,
to that you must agree.

Each citizen in this brave state,
so happy and so free,
Must help our spendthrift government
with all the *£ s d.*

Demanded promptly payable
in instalments one and two,
But who could think of such a thing
when lovers bill and coo!

Yours faithfully,
P.

Articled Clerk's Premium Returned as Salary: Income Tax

SIR, – I am an articled clerk and wonder if any of your readers have come across a similar case to mine.

A premium was paid for me and is being returned to me in the form of a salary. Should this be treated for the purpose of my income-tax as a return of capital or income?

Yours truly,
AN ARTICLED CLERK.

Furnished Letting and Excess Rents

SIR, – There is a distinction between the above two subjects of assessment upon which no dividing line appears yet to have been generally established.

Most furnished lettings today include an element of 'excess rent' attributable solely to the unfurnished letting value. The latter can be determined by current rentals of similar unfurnished properties or by deducting from the furnished rent the expenses usually allowable in respect of wear and tear of furniture etc.

A proper allocation as between furnished and unfurnished values is, of course, important because the very necessary additional allowance for present-day cost of repairs, which is permitted in arriving at excess rents, is not given in the traditional calculation of a furnished letting.

We should be interested to have the experience of other practitioners in dealing with this position.

Yours faithfully,
London, EC2. P. R. HORNSBY.

Employment of Son: Allowances

SIR, – Although a trifle belated, I hope that Messrs Pardey & Walsh (see issue for December 9th last) will find the following instance helpful.

On the farmer's son leaving school and starting to work for his father he was paid a weekly wage in cash which was charged in the annual accounts. The son paid his mother for his keep etc. These wages were included in the return of wages and the son paid the tax assessed on them. At the start of P.A.Y.E. the son's wages were treated in the same way as the other employees'.

This treatment is still in force and was also applied when a second son started to work on the farm after the war.

Yours faithfully,
Llanellen, Mon. RICHARD B. SMITH.

Capital or Assessable Income

SIR, – I have a client whose business activities consist of the manufacture of raw materials from secret processes invented or discovered by himself.

Some of these processes have been sold, either in their entirety or in part, and it has been suggested that the moneys so received are assessable income. I contend that the sales are of a capital nature, the processes having been assets as plant and machinery, the sales being outside the normal scope of business.

I should be glad to hear readers' opinions on this subject.

Yours faithfully,
M. J. G.

Fixed Assets and Inflation

SIR, – In your issue of March 3rd Mr A. Pakenham-Walsh does not deal very fully with the main point in my letter, which was that too much thought is given to the impact of inflation on fixed assets, and too little to its impact on capital. Any proposed new accounting techniques, such as his method for providing for depreciation, must be examined with both in mind.

Despite Mr Pakenham-Walsh's defence, I still plead guilty to disagreeing heartily. If my imaginary preference shareholder is to be deprived of his dividend, the accounts should at least show that the deprivation is by way of a voluntary appropriation (which he can vote against) and not a charge. Accounts must, after all, be prepared with due regard for the rights and interests of all those concerned, and not merely for the benefit of economists.

Mr Pakenham-Walsh also overlooks that the financial books are a historical record, and that the object of charging depreciation is to eliminate fixed assets as they are physically used up. In formulating production and selling policy and prices, of course, management may include, if considered advisable, a charge for asset usage which is adequate to cover estimated replacement costs, but although this should satisfy Mr Walsh's requirements as an economist, it is an entirely separate matter from the depreciation charge in the financial accounts.

Yours faithfully,

London, EC2. A. R. ANDREW, A.C.A.

Capital Levy: Spending Tax

SIR, – I welcome Mr Salinger's reply, published in your issue of February 17th, to my letter published in January 27th issue as it provides the occasion for me to correct a wrong impression created by my use of that oft misleading (or should I say 'misused') word 'only' in the third paragraph of my letter. I did not intend to suggest that the tax should be levied more than once on the same source. That would obviously be wrong. If the word 'only' is omitted perhaps my meaning is made clear.

I am of the opinion that if an individual defers the enjoyment of his income or other wealth by saving it, he should not be required to pay the tax until such wealth is spent and then only at the rate appropriate to his circumstances at the time of spending. Furthermore I consider that if an individual creates excessive demands on consumer resources by spending a large part of his wealth (income or capital) he should pay tax on a progressive scale at the time he creates that demand.

Quite apart from these main principles, there is one important practical advantage to be derived from the adoption of my suggestion. It would remove to a considerable degree, the disincentive effect of high taxation on increased effort. Difficulties there would be – particularly in the initial stages – in the administration of the proposed new tax, but these would have to be weighed with the advantages to be derived.

It would, I suggest, be best in the first instance to try out the scheme by granting something in the nature of a savings relief, retaining the present system of income-tax, but ultimately, I believe, it would be found possible to achieve the objects in a more direct way by a complete revision of the taxation system whereby amongst other things, companies and businesses would be taxed solely on their distributions and not on profits as such.

With regard to Mr Salinger's mention of spreading of school fees, expenditure on these creates the demand on consumer resources at the time they are paid, and I do not consider there is a case for these being spread. The scheme does not preclude the granting of child allowances, which should take care of normal educational requirements. Expenditure on such things as setting up home would be regarded as saving but the tax would be charged on the annual value of the expenditure. The treatment of the taxpayer's own capital expenditure would admittedly present many problems but they should not be insuperable.

Interest can, it is agreed, do something to stimulate saving and discourage liquidation of capital, but I submit that the present high taxation on incomes very largely destroys this stimulus. Interest operates more as an instrument for directing savings into the various channels for investment, and it is unlikely in present conditions to play any great part in stimulating total savings.

I view the existing system, whereby large slices of an individual's income are taken by the State and either compulsorily saved in the form of Government capital expenditure or compulsorily spent on services which many taxpayers do not want, as savouring far more of totalitarianism than the freedom of choice which would be left to the taxpayer under the system I have proposed.

Yours faithfully,

London, EC2. V. T. EDMONDS.

Director's Remuneration

SIR, – In reply to 'Director' (February 17th), I suggest that the managing director's commission may be calculated in accordance with the following equitable principles, all of which are adequately supported by case law:

(1) Profits should be computed on a normal commercial basis, including where necessary a reasonable allowance for the depreciation of the company's plant, machinery and other assets. The profits as adjusted for income-tax or profits tax (whether before or after deducting capital allowances) are not suitable for this purpose, since this adjustment involves the deletion of several items whose inclusion is essential to the ascertainment of a true commercial profit.

(2) Income-tax is an *appropriation* of profits, and should not be charged in arriving at the profits on which commission is payable. Profits tax, on the other hand, is a chargeable expense when calculating these profits, and it is suggested that the charge for both

these forms of taxation should be based on the profits of the accounting period under review, in accordance with Recommendation III of the Institute of Chartered Accountants.

(3) In default of specific agreement, the commission, if expressed as a percentage of profits, should be calculated on the profits *before* charging that commission.

(4) The term 'profits', in the absence of more precise definition, includes capital profits (e.g. a profit on the sale of a part of the company's undertaking), but it is suggested that any capital expenditure on improvements which may have been debited to profit and loss account should be added back before computing the commission.

The authority for these statements will be found in the cases of *In re Spanish Prospecting Co Ltd* ([1910] 103 L.T. 611, (1911) L.J. Ch. 210); *In re Crabtree, Thomas v. Crabtree* ([1912] 106 L.T. 49); *Johnston v. Chestergate Hat Manufacturing Co Ltd* ([1915] L.J. 84, Ch. 915); *In re Agreement of G. B. Ollivant & Co Ltd* ([1942] T.R. 295); *Edwards v. Saunton Hotel Co Ltd* ([1942] T.R. 359) – but the need for a formal agreement covering these and other potential points of difference is obvious.

With regard to your querist's second point, the phrase 'expenses allowance . . . charged to United Kingdom income-tax' in Section 196 (2) of the Companies Act, 1948, is usually interpreted to mean that part of the allowance (in this case, apparently, the whole amount) which must be disclosed for P.A.Y.E. regardless of any claim which may subsequently be made in respect of actual expenses incurred – particularly since the outcome of such a claim may not be known for several months after the date of the accounts. Thus the gross amount of the managing director's expenses allowance is included in the figure of 'director's remuneration' appearing in the published profit and loss account; his personal assessment under Schedule E upon the whole of any part of this sum does not affect the company's accounts, and is not a matter with which the company's auditor, as such, is required to concern himself. The actual expenses incurred by the managing director (upon which repayment of tax is to be claimed) may be indicated by a suitable note in the published accounts, or in the director's report.

Yours faithfully,

London, N10. M. BARRADELL, A.C.A.

Machine Aid to Manual Book-keeping

SIR, – Some of your readers, in small and medium-sized concerns possessing a simple £ *s d* adding machine and using hand-written card ledgers with progressive balances, may be interested in an idea I introduced with my company a year or so ago and which has eliminated all the month-end harass of finding the inevitable few errors which have been made during the month.

Briefly, take cash postings to the credit of the sales ledger, for instance: the individual cards needed for the day's posting are taken out, the cash is posted and the new balance is struck in the usual way. The idea is to use the adding machine concurrently, 'adding' the opening balance and 'subtracting' the closing balance on each card and then the total in the machine should reconcile with the total of cash posted. Any mistake is quickly revealed. The reverse happens when posting debits.

The ledger system may be more complicated than this simple illustration, but the same principle applies and the idea can be utilized to advantage. A little more time may be taken during the month but the elimination of trouble at the month end is well worth it and statements can be got away with the minimum of delay.

Quite a young girl on my staff handles a considerable volume of postings each month, and using this method, has no difficulty in taking out a correct balance by the first or second day after the month end.

Yesterday, March 1st, our sales ledgers for February were balanced at the first attempt and part of the monthly statements despatched. The remainder leave today.

Yours faithfully,

West Mersea, Essex. JESSE WOOD.

Letters of Hypothecation

SIR, – In an article on the above subject in your issue of January 27th, 1951, your contributor, Mr T. J. Sophian, refers to 'letters of hypothecation', 'letters of lien' and 'letters of trust' as if they were analagous.

The majority of bank advances against goods are by means of a pledge, actual or constructive, whereby the goods are transferred into the possession of the lender or an agent acting on his behalf and the documents, which are somewhat loosely referred to as 'letters of hypothecation' or 'letters of lien', are memoranda of the intention that the goods pledged shall be security for advances.

Any attempt to create a charge over goods otherwise than by way of pledge, involves an instrument of the nature of a bill of sale which requires registration to ensure its validity.

The 'letter of trust' on the other hand, falls into a different category altogether, and forms no part in establishing the banker's basic right over his security. It is used when the pledgee wishes to return the goods or documents of title to the pledgor for a specific purpose, such as sale and realization of the proceeds, without surrendering his rights as a pledgee. The legal construction of a letter of trust was extensively dealt with in the case of *In re David Allester Ltd* ([1922] 2 Ch. 211). The essence of its validity is that there must first have been a valid pledge.

Yours faithfully,

London, EC2. D. G. CORBLE.

[Mr T. J. Sophian writes: I am much obliged to your correspondent for pointing out these distinctive characteristics of a 'letter of trust'.]

Wrong Envelopes Problem

SIR, – I am prompted to write to you as I see from your issue of February 17th that a correspondent is still in doubt as to the solution of my problem published in the November 11th, 1950, issue. The correct answer was given by Mr R. A. Hadrill in a letter published in December 9th issue, but perhaps the following method of arriving at the solution, based on logic and arithmetic only, and avoiding advanced mathematics, may be helpful to other readers:

For brevity, call the required number N_7 and the corresponding numbers where there are fewer letters and envelopes N_6, N_5, etc.

Consider N_5 viz.: letters A, B, C, D & E
and envelopes a, b, c, d & e

Now in some of the wrong arrangements of these, letter A will be interchanged with letter B, that is A will go into b, and B into a. This interchange can be combined with all the wrong arrangements of the remaining three letters and envelopes, C, D, E and c, d, e; so that it will happen N_3 times. Similarly, when A is interchanged with C, D or E and there will thus be $4N_3$ wrong arrangements when A is interchanged with one of the other letters.

Now suppose A goes into b, but is not interchanged with B. Then there remain letters B, C, D, E and envelopes a, c, d, e, with the proviso that B is not to go into a. Now the number of wrong arrangements of this combination is the same as if the envelopes were b, c, d, e, as in each case there is in relation to each letter one envelope into which that letter must not go.

Therefore, when A goes into b with no interchange this can be combined with N_4 arrangements of the remaining letters and envelopes.

Similarly, when A goes into c, d, e without interchange, there will thus be $4N_4$ wrong arrangements when letter A is *not* interchanged.

We have therefore $N_5=4(N_3+N_4)$ and, by the same process, $N_6=5(N_4+N_5)$ etc.

Now $N_1=0$, $N_2=1$;
so $N_3=2(0+1)=2$;
$N_4=3(1+2)=9$;
.
.
.
$N_7=6(44+265)=1,854$ etc.

It is interesting to note that N_8 is no less than 14,833.

Yours faithfully,
MONTAGU TEMPLE.

Lincoln's Inn, London, WC2.

Calculation of Distributions for Profits Tax

SIR, – I agree with the figures contained in Mr Rockhall's letter in *The Accountant* of February 17th, except that I think the excess of the 1950 dividends (£24,000) over the 1949 dividends (£18,000), i.e. £6,000, should be treated as a distribution of the chargeable accounting period to June 30th, 1951. This is in accordance with Section 2 (1) of the Profits Tax Act, 1949, which lays it down that dividends declared after September 26th, 1949, shall, to the extent of the excess (as defined), be included in determining the gross relevant distributions for the chargeable accounting period beginning at the end of September 1949, or for that in which they are paid, whichever is the later. The final dividend for the year ended June 30th, 1950, being paid immediately after that date, the excess falls into the chargeable accounting period ending June 30th, 1951.

If this interpretation is accepted, the question arises as to whether the additional profits tax which will be payable in respect of the chargeable accounting period to June 30th, 1951, on this 'excess dividend', which really relates to the year ended June 30th, 1950, should be provided for in the accounts to the latter date. If so, is it strictly a reserve, in the same way as future income-tax – or what? I should be interested to hear readers' views.

Yours faithfully,
E. G. LAMBARD.

London, EC2.

Superannuation and Pension Funds

SIR, – In reply to 'Councillor', who writes in your issue of February 17th, may I say that I do not suggest the abolition of transfer values. These, like pensions, would be paid out of revenue.

Reference to the published accounts of the larger authorities discloses that the sums paid in transfer values are approximately balanced by corresponding receipts, whilst the amounts involved are trivial in relation to the resources of the authority.

In the case of the very small authority, the departure of a senior officer might involve the payment of a substantial sum. Against this, if he is replaced by an officer transferred from another authority, a transfer value will be received. If, on the other hand, promotions are made all down the line and a new junior is brought in, there will be a saving in salaries, owing to the practice of starting each promotee at the bottom of his new scale. Only if a stranger to local government is brought in to the senior post (an unusual occurrence) would the transfer payment be an unrelieved burden. It might be considered prudent to hold a small reserve against such a contingency. In the last resort, the transfer value might be paid by annual instalments, with interest, or the necessary money could be borrowed and repaid over a term of years.

It may not, perhaps, have escaped notice that increased pension liability due to a period of inflation and the consequential general rise in the level of salaries would be more easily met by my proposed scheme, since the additional cost would be spread over fifty to fifty-five years instead of a considerably shorter period. Most authorities are finding that their quinquennial valuations are involving them in enormous additional contributions in order to keep the fund 'solvent', i.e. in a position to meet demands which will never, in fact, be made.

Yours faithfully,
'S.'

THE MANCHESTER CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

ANNUAL DINNER

The annual dinner of the Manchester Chartered Accountants', Students' Society was held at the Reform Club, Manchester, on Friday, March 2nd, 1951. The President of the Society, Mr W. R. Carter, M.A., F.C.A., was in the chair, and with Mr W. L. Barrows, F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, received the 160 members and guests who attended.

Among those present were

Messrs E. Bales (*Hon. Secretary, Sheffield and District Chartered Accountants Students' Society*); S. G. Barker (*Chairman, Council, Manchester and District Bankers' Institute*); V. Butterworth, F.A.C.C.A. (*President, Students' Section, Association of Certified and Corporate Accountants, Manchester and District Society*); J. D. Cantley, Barrister-at-Law (*Vice-President, Manchester Law Students' Society*); B. E. Coulthard (*Hon. Secretary, Preston and District Chartered Accountant Students' Society*); W. L. Cronshaw, A.C.W.A. (*President, Students' Section, Institute of Cost and Works Accountants, Manchester and District Branch*).

Messrs K. M. Gray (*Hon. Secretary, Bradford and District Chartered Accountant Students' Association*); L. Leake (*Member of Committee, Leicester and Northampton Chartered Accountant Students' Society*); M. S. Moon (*Hon. Secretary, Liverpool Chartered Accountant Students' Association*); W. T. Organ (*Hon. Treasurer, Birmingham Chartered Accountant Students' Society*); Horace Richmond, F.C.I.S. (*Secretary, Manchester Stock Exchange*); M. P. C. Rowland (*Hon. Secretary, South Wales and Monmouthshire Chartered Accountant Students' Society*).

Messrs G. W. Street, F.S.A.A. (*President, Incorporated Accountants' Society of Manchester and District*); B. W. Sutherland (*Hon. Secretary, Nottingham Chartered Accountant Students' Society*); Charles Watson (*President, Manchester Junior Chamber of Commerce*); Sir Frederick J. West, G.B.E.; Messrs M. Wheatley Jones, B.COM., F.C.A. (*President, Manchester Chartered Accountants' Society*); C. Cecil Wright, F.C.I.S. (*President, Manchester and District Chartered Secretaries' Students' Society*).

Proposing the toast of 'The Institute of Chartered Accountants in England and Wales', Mr Watson referred to the 'restrictions, standing instructions, Orders in Council, controls and all the rest' with which business was hedged round at the present time. Inevitably this meant that commerce was leaning more and more towards the professions, particularly the accountancy profession. He continued:

'As President of another junior organization in this city, I would say to the members of the Manchester Chartered Accountants' Students' Society that I am sure that your activities are watched with the same benevolent interest by your parent body as are those of my own.

'I know that you have the same goal, and that is to prove your worth in experience and action to those who some time ago started climbing the ladder and are now at the top. From their guidance and, by their example you can profit and find your ways made easier.'

In the course of his reply to the toast, Mr Barrows, after expressing his pleasure at being in Manchester, said:

'Some of you may wonder what the Institute does, but I would like you to know that the Council of the Institute is extremely active and, in fact, some of us think that as members of the Council we are worked much too hard.

'That is a strange thing to tell you students, but I can assure you that most of us have to work a lot harder now than we did as students, and we thought we worked hard enough then. Hard work, however, has hardly ever killed anyone; it is worry that kills people and in my own opinion work in which you are happy and satisfied is the salt of life. (Applause.)

'I wonder how many of you have seen the Institute handbook which was brought out at the end of last year. I had the honour of being chairman of the committee responsible for that publication, and I do hope that it is proving of real value to members.

'Those of you who are students here should borrow a copy of that handbook from your library or from your principal, or a qualified man in your office; study it really carefully and, may I add, all Institute publications, including the Institute's annual report.

'This is a students' gathering, and you will no doubt expect me to refer to the examinations. Statistics show that, unfortunately, Manchester and Birmingham and a number of the large provincial centres, have very poor percentage results in recent examinations compared with articled clerks in London. I have spent a good deal of time trying to make out why this is so. I hate to believe that the calibre of the men articled in the provinces is lower than that in London, but I am reasonably convinced that a number of the articled clerks in the provinces do not broaden their outlook sufficiently. They rely too much on cramming and their correspondence courses only.

He continued:

'If you are going to get the best out of the profession and make a success of your life, try and put more into it than you take out. Only thus can we maintain and increase the status and reputation of this great Institute of ours. (Applause.)

The toast of 'The Manchester Chartered Accountants' Students' Society' was proposed by Sir Frederick West, who stressed that the real need today, in political, professional, commercial and industrial life, was for leadership – above all a leadership which understands the handling of the human element. Technical qualifications alone were not enough.

In response to the toast, Mr Carter said that as President of the Society, he wished to make two points. Firstly, while realizing the importance of the time factor, he urged students who had failed either the Intermediate or the Final examination to think hard before making a second attempt after only six months.

Secondly, to those who had recently qualified or who were about to qualify, he offered this advice:

'Do remember that your client probably hasn't got a clue about accounts at all. The moral is, present your figures in lay language, avoiding accountancy jargon as far as you can. The greatest virtue is simplicity. You cannot make it too simple.' (Applause.)

The toast of 'The Guests' was proposed by Mr R. H. White, a student member of the committee of the Society, in a ready and amusing speech which was warmly received. Mr Cantley and Mr Barker responded for the guests.

Mr Carter expressed his appreciation of the excellent work done by the Honorary Secretary, Mr F. A. Bailey, A.C.A., and the Assistant Secretary, Miss Isabel Ritchie, LL.B., and the evening concluded with a warm tribute to the chairman paid by Mr F. M. Gilliat, F.C.A.

Mr E. G. Turner, M.C., F.C.A., acted ably as toastmaster for the evening.

NOTES AND NOTICES

The Institute of Chartered Accountants in England and Wales

Taxation and Research Committee

The fifty-eighth meeting of the Taxation and Research Committee was held at the Institute on Thursday, January 25th, 1951, at 2 p.m.

Present: Mr W. G. Campbell (in the chair); Messrs T. Fleming Birch, E. P. Broome, J. B. Burnie, J. Cartner, D. A. Clarke, E. H. Davison, W. G. Densem, R. B. Dixon, F. J. Eves, W. W. Fea, E. S. Foden, F. M. Gilliat, G. G. G. Goult, G. S. Hamilton, S. C. Hand, N. B. Hart, O.B.E., T.D., K. Johnson, E. N. Macdonald, D.F.C., R. A. Marden, G. P. Morgan-Jones, T. P. Nicholls, H. Norris, A. H. Proud, A. P. Ravenhill, P. M. Rees, M.C., P. V. Roberts, L. W. Robson, S. A. Spofforth, C. M. Strachan, O.B.E., H. Sutherst, A. G. Thomas, W. F. Tidswell. C. P. Turner, R. Walton and A. Whittaker, with an Assistant Secretary of the Institute.

Membership

1. The Committee welcomed the following four new members who had accepted invitations to serve as co-opted members: Messrs J. Cartner, R. A. Marden, H. Norris and A. H. Proud.

Standing Sub-Committees

2. A report from the Taxation Sub-Committee (chairman Mr F. M. Gilliat) was received and discussed.

***Ad hoc* Sub-Committees**

3. The reports of two special sub-committees were received and discussed.

The fifty-ninth meeting of the Taxation and Research Committee was held on Thursday, February 15th, 1951, at 2 p.m. at the Institute

Present: Mr W. G. Campbell (in the chair); Messrs T. Fleming Birch, R. P. Brown, J. B. Burnie, J. Cartner, D. A. Clarke, J. Clayton, E. H. Davison, W. G. Densem, R. B. Dixon, F. J. Eves, W. W. Fea, E. S. Foden, F. M. Gilliat, G. G. G. Goult, S. C. Hand, E. A. Harris, K. Johnson, J. Latham, C.B.E., E. N. Macdonald, D.F.C., J. H. Mann, M.B.E., R. A. Marden, J. W. G. Mitchell, G. P. Morgan-Jones, H. Norris, A. H. Proud, A. P. Ravenhill, P. M. Rees, M.C., P. V. Roberts, S. H. Spofforth, C. M. Strachan, O.B.E., A. G. Thomas, T. A. L. Thompson, D.S.O., M.C., C. P. Turner, T. Walton. C. Watts, A. Whittaker and G. H. Yarnell, with an Assistant Secretary of the Institute.

Standing Sub-Committees

Reports from standing sub-committees, as under, were received and discussed:

- Taxation Sub-Committee – Mr F. M. Gilliat.
- General Advisory Sub-Committee – Mr T. Fleming Birch in the absence of Mr G. S. Hamilton.
- Cost Accounting Sub-Committee – Mr E. H. Davison.

***Ad hoc* Sub-Committees**

The chairman of two *ad hoc* sub-committees reported progress.

Next Meeting

The next meeting was fixed for Thursday, April 19th, 1951, at 2 p.m.

The Institute of Chartered Accountants in Ireland

The Council of The Institute of Chartered Accountants in Ireland announces that the next Intermediate and Final examinations will be held on May 15th, 16th, 17th and 18th, 1951.

Intending candidates should send in their applications on or before April 1st, 1951. Forms of application can be obtained from the Secretary, 41–42 Dawson Street, Dublin.

Meetings of The Council

At the quarterly and special meetings of the Council of The Institute of Chartered Accountants in Ireland held on February 27th, 1951, there were present:

Messrs H. E. A. Addy (Vice-President), P. Butler, W. H. Fitzsimons, E. T. McCarron, H. Trevor Montgomery, W. L. H. Rodden and R. Stanley Stokes, with the secretary, Mr Wm. Edmiston Crawford, and the joint secretary, Mr H. Stevenson, in attendance.

Apologies for absence were received from Mr P. J. Purtill (President) and Messrs J. Bailey, F. Cleland and E. P. O'Carroll.

The following candidates who had passed the Final examination in November 1950 were admitted to membership:

As Associates not in Practice

William Kenneth Best (Ballycastle, Co. Antrim), Malachy Burns (Whiteabbey, Co. Antrim), Michael Robert Cassidy (Dublin), John Jeffrey Clee (London), Michael Patrick Cremin (Dublin), William Terence Horscroft (Belfast), John Gerard Lyons (Dublin), Donal Sean McAleese (Dublin), John Gerard Moloney (Dungarvan, Co. Waterford), Anthony Edward Murray (Dublin), Joseph Staunton O'Neill (Dublin). Francis Henry Poff (Dublin) and Samuel Kenneth Wheelhouse (Belfast).

Applications for admission to associateship in practice from the following members were acceded to:

Alfred A. Lenfestey (Belfast), Robert William Francis Newport (Dublin), Dermot John McCourt (Dublin) and Ignatius Kennedy Ryan (Dublin).

Mr George Golding (London) and Mr James Frederick Cookson Stewart (Letterkenny, Co. Donegal) were admitted to Fellowship.

The deaths of Mr J. O. Wilson, Fellow (Belfast), and Mrs M. A. D'Arcy, Associate not in Practice (Dublin) were reported and noted with regret.

Arrangements for removal to new premises at No. 7 Fitzwilliam Place, Dublin, recently acquired by the Institute, were under consideration.

It was reported that the first meeting of the committee recently appointed by the Attorney-General to inquire into company law reform in Eire, on which the Institute will be represented by Mr H. E. A. Addy (Vice-President) and Mr G. Brock (Past-President), would probably take place early in April.

It was decided to hold the next Intermediate and Final examinations on May 15th to 18th, 1951, inclusive, concurrently in Belfast and Dublin.

Personal

MESSRS HORACE JONES & Co, Chartered Accountants, announce that they have removed their offices from 22 Dumfries Place, Cardiff, to 1 Edward Terrace, Churchill Way, Cardiff. Telephone: Cardiff 2167.

MESSRS WEBB & HALL, Chartered Accountants, 90 Deansgate, Manchester, 3, announce that Mr LEONARD GEARY, A.C.A., has recently become a partner. Mr GEARY received his training in their office and has for many years been one of the senior members of their staff. The name of the firm, and the other partners remain unchanged.

MESSRS EDWARDS & EDWARDS, Incorporated Accountants, of 22 High East Street, Dorchester, announce with regret the death of their senior partner, Mr A. H. EDWARDS, F.S.A.A., on February 5th, 1951, after a short illness. The practice will be carried on under the same name by the remaining partners, Mr CLIFFORD WILD, F.S.A.A., and Mr M. A. EDWARDS, A.S.A.A.

MESSRS FREEMAN & JONES, Certified Accountants, of 1 and 2 Waterloo Street, Birmingham, 2, announce that as from March 7th, 1951, their address will be 3 Warwick Passage, Corporation Street, Birmingham, 2. The telephone number will remain unchanged (Midland 6793).

MESSRS THOSEBY, SON & Co, of District Bank Chambers, Market Street, Bradford, announce with regret the death, on February 25th, of Mr JAMES THOSEBY, F.S.A.A., the senior partner in the firm, at the age of 83 years. The practice will be continued under the same name by the three remaining partners, Mr ARTHUR B. THOSEBY, F.C.A., Mr W. H. MOSLEY ISLE, F.C.A., and Mr CLIFFORD RAMSDEN, A.C.A.

Obituary

PETER REGINALD ROSE SIMSON STORREY, A.C.A.

We have learned with regret of the death, at the age of 53, of Mr Peter Reginald Storrey, A.C.A., senior partner in the firm of Stanley Blythen & Co, Chartered Accountants, of Nottingham and Long Eaton.

Mr Storrey was admitted an associate of the Institute in 1924, and became a partner in the firm of Stanley Blythen & Co on its foundation in January 1926. Since the death of Mr Blythen last December, he had been senior partner in the firm.

Mr Storrey was commissioned with the Sherwood Foresters from the Royal Military College, Sandhurst, during the First World War, in which he was severely wounded. He was a member of the Caernarvon Lodge of Freemasons.

ARTHUR COLLINS, F.C.A.

It is with regret that we record the death, at his home in Camberley, Surrey, of Mr Arthur Collins, F.C.A., senior partner in the firm of Edward Thomas Collins & Son, Chartered Accountants, of 28 Baldwin Street, Bristol.

Educated at Clifton College, Mr Collins was admitted an associate of the Institute in 1903 and elected a Fellow in 1911. In 1903 he entered the practice founded in Bristol by his father, Mr E. T. Collins, over eighty years ago, becoming a partner in the firm in 1906, and in 1912, on the death of his father, he became senior partner.

Mr Collins served on the committee of the Bristol and West of England Chartered Accountants' Society for many years, and was president on two occasions. He held appointments as secretary of the Bristol Benevolent Institution, the Bristol Hibernian Society and a number of trade associations. He had also been secretary of the West of England Millers' Association from 1918 until his resignation this year.

Mr Collins was a keen sportsman and as a young man played hockey for his county.

Packet Foods Productivity Team

On Tuesday last a further Productivity Team sailed for the U.S.A. The team, which is drawn from all levels of the packet foods (groceries) industry, is travelling under the auspices of the Anglo-American Council on Productivity, with the assistance of the E.C.A. Technical Assistance Division, and will spend six weeks studying American practice in the industry. One of the sixteen members of the team is Mr P. E. Green, A.C.A., director and chief accountant of H. J. Green & Co Ltd, of Hove, Sussex.

In Parliament

HOSPITAL COSTS

Colonel ROPNER asked the Minister of Health if, with a view to stimulating efficiency and economy in the hospital services, he is preparing a detailed analysis of hospital costs under the National Health Service.

Mr BLENKINSOP: Yes, Sir. A uniform system for analysing hospital costs in some detail has been introduced for the first time this year and will relate to the year 1950–51 as a whole.

Colonel ROPNER: Will the return be in the same form as that issued by the Department of Health for Scotland, which is a valuable contribution to knowledge of costs in hospitals?

Mr BLENKINSOP: Broadly, it is on a similar basis. We are still discussing with the Treasury the best

way in which this information can be made available to the House and the public at a suitable time.

Mr SORENSEN: Can my hon. friend say whether these figures will show details of comparative costs between one hospital and another?

Mr BLENKINSOP: That would be very difficult as anyone who knows anything about the subject will agree. It is difficult to secure any fair comparison between one hospital and another. The House had better wait until we are able to publish the details.

Hansard, March 1st, 1951. Oral Answers, Col. 2302.

INCOME TAX: STATISTICS

Mr HAROLD DAVIES asked the Chancellor of the Exchequer if he will give the actual figures covered by the percentage figures given in Tables 27 and 28 in Command Paper No. 8103.

Mr JAY: The information requested is contained in the table below.

Hansard, Feb. 26th, 1951. Written Answers, Col, 262.

[Command Paper 8103 (H.M.S.O. 3*s*) is the 93rd report of the Commissioners of Inland Revenue, for the year ended March 31st, 1950.]

Our Weekly Problem

NO. 36: DIFFERENT WAYS OF PAYING ACCOUNTS

Mr L. U. Sidate was talking to the cashier of No Pence Ltd.

'How do you get on for petty cash?' he inquired. 'Here is the cash box', replied the cashier. Mr Sidate looked at it and saw one sixpence, one shilling, one florin and one half-crown.

'I can pay quite a number of different small accounts with these', added the cashier. Mr Sidate considered this observation. 'Some of those accounts can be paid in different ways', he commented.

How many of those accounts cannot *be paid in different ways?*

The answer will be published next week.

ANSWER TO NO. 35: CIGARETTES OR A PIPE?

Mr Sidate paid 4*s* 2*d* per oz., i.e. 8*s* 4*d* per week. His 35 pipes cost 100 pence, i.e. 1,050 minutes' smoking or 10½ minutes a penny. Mr Ravel paid 3*s* 8*d* a packet, i.e. 25*s* 8*d* per week. His 20 cigarettes cost 44 pence, i.e. 220 minutes' smoking or 5 minutes a penny. Thirty-five cigarettes cost 35/20 × 44 pence, i.e. 77 pence (1*s* 11*d* less than 35 pipes).

Mr Ravel therefore paid 17*s* 4*d* more per week than Mr Sidate.

INCOME TAX: SCHEDULED

Assessments made in 1948–49: *Distribution of Trading Profits by Status of Concern and by Range of Profit*

Range of Profit		Totals		Individuals		Firms		Companies and Local Authorities	
		Numbers	Amount	Numbers	Amount	Numbers	Amount	Numbers	Amount
Exceeding £	Not Exceeding £	Thousands	£ million	Thousands	£ million	Thousands	£ million	Thousands	£ million
0	250	721·5	95·2	641·8	87·9	21·5	2·5	58·2	4·8
250	500	449·8	152·1	402·4	134·9	28·9	10·7	18·5	6·5
500	1,000	264·6	179·4	194·5	130·4	49·4	34·8	20·7	14·2
1,000	1,500	85·1	99·4	53·0	61·7	19·6	23·1	12·5	14·6
1,500	2,000	44·2	74·1	25·3	42·2	10·5	17·8	8·4	14·1
2,000	3,000	45·3	106·7	21·8	51·1	11·2	26·8	12·3	28·8
3,000	4,000	21·3	71·4	7·9	26·5	5·8	19·7	7·6	25·2
4,000	5,000	12·6	55·3	3·8	16·9	3·6	15·8	5·2	22·6
5,000	10,000	24·6	163·9	5·2	33·0	6·6	44·0	12·8	86·9
10,000	15,000	8·0	95·2	·8	9·8	1·6	19·5	5·6	65·9
15,000	20,000	3·7	62·2	·2	3·8	·5	9·1	3·0	49·3
20,000	25,000	2·5	53·4	·1	2·1	·3	6·2	2·1	45·1
25,000	30,000	1·9	48·4	·1	1·9	·2	4·8	1·6	41·7
30,000	40,000	2·2	72·6	*	1·6	·2	5·9	2·0	65·1
40,000	50,000	1·4	59·5	*	1·1	·1	2·8	1·3	55·6
50,000	75,000	1·8	106·3	*	·8	·1	4·3	1·7	101·2
75,000	100,000	·9	74·0	*	·5	*	2·0	·9	71·5
100,000	200,000	1·5	196·3	*	·4	*	4·6	1·5	191·3
200,000	1,000,000	1·0	383·1	*	1·3	*	2·2	1·0	379·6
1,000,000	.. ..	·2	405·7	—	—	—	—	·2	405·7
All ranges ..	..	1,694·1	2,554·2	1,356·9	607·9	160·1	256·6	177·1	1,689·7

* Less than 50.

The Accountant

ESTABLISHED 1874

MARCH 17TH 1951 VOL. CXXIV NO. 3978

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Reproduction, in reduced size, of the dedication and a page of the Institute's Roll of Honour.

INLAND REVENUE ORGANIZATION

IN this imperfect world, complaints about the efficiency of a department which administers such unpopular taxes as are the responsibility of the Inland Revenue are to be expected; if only from the confusing of the taxers with the taxes. That, and the extreme complexity of the relevant law, make it all the more desirable that the Inland Revenue should exert itself to make the extraction as painless as possible, by simplicity of exposition and by sympathetic handling of the taxpayers and their advisers. Few people outside the department would agree that this ideal had been achieved, and many would argue that the Board of Inland Revenue was not even concerned to strive for it. The design and layout of return and assessment forms, for instance, leave much to be desired, while the strange hieroglyphics which sometimes appear on the latter are incomprehensible to anyone not versed in the departmental jargon. In assessing the irritation and frustration that are set up among the public, it is not enough merely to consider the complaints of the more vocal and educated of the victims; there are also the thousands of inarticulate and humble people who receive notices of 'estimated' assessments showing terrifying sums as payable, and who are shuttlecocked between inspector and collector, bewildered by the whole business. If, in its relations with the public, the department shows lack of imagination, suspicions are bound to arise as to the efficiency of its inner workings. Accordingly, a welcome reception was given to the announcement, made on November 5th, 1948, that the Board of Inland Revenue had appointed a committee to review the organization and administrative methods of the department, particularly as one member was Mr F. R. M. DE PAULA, O.B.E., F.C.A., who was then a member of the Council of the Institute and described by the Committee itself as a business man with wide experience of large-scale organization of different types. The chairman was SIR ERIC ST J. BAMFORD, chairman of the Board of Inland Revenue, and the other members were MR J. E. WALL, director of establishments, Ministry of Food, and MR E. H. RITSON, director of establishments, Inland Revenue. In addition, MR J. A. JOHNSTONE, the assistant secretary in charge of the organization and methods branch of the department, assisted the Committee throughout its inquiry.

The Committee held 39 meetings, discussed papers submitted to it by heads of branches, examined senior officers in charge of different sections, and visited many offices. Its Report, dated August 5th, 1950, presents 48 pages of interesting reading. We understand that steps are being taken to place the Report on sale. The impression which the department made on the two

outside members of the Committee was that of

> 'a fundamentally efficient organization, strained by the pressure of war and still suffering from shortages of man-power, accommodation and equipment but with its real vigour unimpaired; an organization which is, in general, sound in design and which, of its own initiative, has energetically set about restoring its pre-war standards; and whose efficiency grows from the trained skill and self-reliance of its individual members'.

These references to the war must of course be considered in the light of the fact that, at the date they were made, the war had already been over for a full five years.

This is not to say that the Committee found nothing to shock them. Indeed, all the members found it difficult to restrain their feelings on the question of accommodation. They thought the standards of some of the offices deplorable, standards which would not be tolerated in any business organization,

> 'for a business firm inviting visitors to such premises would give the impression of impending bankruptcy'.

The staff and the members of the public condemned to use these deplorable offices will be interested to find the chairman and one of the deputy chairmen of the Board signing a report in such terms. However, the Report adds that this state of affairs is not the fault of the Inland Revenue, provision of accommodation being the responsibility of the Ministry of Works; but it does say a little later that when premises were offered to the Inland Revenue,

> 'someone in the Revenue had to agree that the premises were suitable for the particular purposes concerned and to see that the layout was made in accordance with Revenue requirements'.

It seems that there has been a failure to impress on the Ministry of Works, the Revenue's precise needs.

Apart from tax offices themselves, attention could well be paid to the premises in which appeal meetings are held. Some of these are entirely unworthy of the importance of the occasion.

As regards the department's relations with the public, the Report says that

> 'it must be sympathetic to the rights and perplexities of the citizen. This duty is impressed upon all officers of the department. Instructions issued to tax offices, for instance, say that "the general attitude of the department should be one of readiness to assist the taxpayer in every reasonable way", that officers should draw taxpayer's attention to reliefs due to them which they have omitted to claim, and respond freely to any requests for advice.'

Of course, one of the major problems of any large organization, particularly one employing 46,000 people scattered about the country, is how to instil into its lowliest members a sense of the overriding purpose of the organization and an eagerness to help carry it out. Merely issuing instructions such as the one quoted above will not achieve this. Indeed, the Report itself recommends the examination in detail of complaints which the Committee received from interested bodies. These included suggestions that tax offices remain open longer, that interview facilities be improved, duplicate forms made more readily available, and files traced more quickly. A suggestion which is eloquent in itself is that it should be possible for a taxpayer to interview at the tax office counter the officer who was dealing with his case. These shortcomings must be blamed on lack of inspiration from above. The Committee regards the present set-up of the headquarters of the department as unusual and as containing dangers, but it does not recommend any fundamental change. It does, however, recommend that junior members of the Secretariat be seconded for short periods to the control units of the various branches for first-hand experience, which is a step in the right direction.

The Committee gives detailed reasons for rejecting the suggestion that the local offices of inspector and collector be amalgamated, but many will remain unconvinced. On the question of decentralizing sur-tax administration, the Committee had an open mind but recommended that the change be considered.

One suggestion in the Report is that the department should make greater use of costing. Information about the cost of collecting certain minor stamp duties, for example, might induce the CHANCELLOR to repeal them.

Although the Report is in general a little disappointing, as the Committee itself says, the main value of the inquiry has lain

> 'in the opportunity which it has given to throw light on the nature of the Revenue organization, the reasons for it, and the problems inherent in it'.

The next step lies with the Revenue itself.

TRAVEL AGENCY ACCOUNTING

by J. S. WEYMAN, B.A., A.C.A.

Travel agency business affords an excellent example of the method of synthesis and analysis as applied to accountancy, and of the use of total accounts to control and classify the many and varied transactions. The treatment, in the books of account, of foreign exchange, and branch returns is explained, and the problem of mechanized accounting is discussed. The desirability of internal audit, as a means of stock control, is emphasized.

THE business of a travel agency consists, in the main, of selling a service to the public, and in the course of its normal work makes all necessary travel arrangements, insures persons and luggage, and provides couriers and guides to meet the needs of its clients. As a result of these manifold activities, a booking sets in motion a series of transactions which are varied, numerous and complex. Therefore, any system of accountancy for travel agents must necessarily take note of these facts.

Travel agencies vary in size, in character, in organization and administration, and many have developed special branches of their business. In order to enable readers to comprehend the principles underlying travel agency accounting, an agency of average size is described as a background to this article. The business in question, therefore, may be said to comprise a large head office, several branches in the main provincial towns, centres abroad, and a number of subagents scattered throughout the country.

THE ORGANIZATION OF A TRAVEL AGENCY

Head Office

The head office is the functional centre of the organization and is made up of several departments which will be mentioned later. In addition to accepting bookings for inclusive tours and independent travel, the head office sells rail, air, steamship, theatre tickets and foreign exchange to the public on a cash basis.

Branches

The branches act as booking centres for inclusive tours, but manage their own local business. Depending upon its trading position and the town in which it is situated, a branch may have a flourishing business in the sale of rail tickets, or in arranging local excursions, and tours. Each branch has its own characteristics, yet it should fit into the general scheme of the organization. As far as it is practicable, branches should deal with their own customers, so maintaining the personal element and local colour in these transactions. Where the arrangements for a tour or other travel business have been completed by head office, the tickets and coupons should be sent to the branch, for transmission to the client.

The head office of a travel agency is often situated in a main thoroughfare where cash business is carried on in the front office. This front office should be treated, with some modifications, as a branch, and various counter forms will be required for recording the sale of railway and theatre tickets, and for booking programme tours.

Foreign Centres and Subagents

Foreign centres accept bookings for travel in the United Kingdom, and arrange and manage all local excursions; tourists and travellers are received and conducted to hotels; or, when only passing through a centre, are transferred to the next point of embarkation.

Subagents are independent of the travel agency and in many cases are free lance. They effect bookings for tours and travel business, and are remunerated by way of a commission on the business done.

The Main Departments

The main departments at the head office of a travel agency are normally as follows:

(1) *The Booking Department*, which acts as the liaison with the customer and the branches throughout, and is responsible for the initial booking. Any modifications or adjustments in the itinerary, hotel accommodation or excursions have to be made by this department. It also conducts all the correspondence with the client, despatches the travel tickets, hotel and excursion coupons, and other advices to the customer and finally confirms the arrangements with the hotel and sundry contractors.

(2) *The Ticket and Coupon Department* holds the stocks of rail, air and steamship tickets and coupons, hotel and excursion coupons, theatre

tickets, etc. It issues tickets and coupons against orders authorized by the accounts department. In the height of the travel season, this department must be capable of working with speed and accuracy.

(3) *The Traffic Department* represents the creative side of the business. Before adopting a tour, it investigates the potentialities of the proposed tour, computes the costings, and fixes the price. The quotations of rates for individual travel or special parties also have to be calculated by this department, and it is responsible for the production of holiday programmes, booklets and other advertising literature.

(4) *The Accounts Department* plays a very important part in the organization as will be illustrated later. In addition to normal accountancy work, it is obliged to test the correctness of issues of tickets and coupons, and to ensure that the sundry contractors' accounts are in agreement with the issues made.

Special Features of a Travel Agency

There are several special features of a travel agency business which should be mentioned here. Firstly, a booking of an inclusive tour or of independent travel is, in fact, the reservation of a number of different items, such as hotel accommodation, rail tickets, changing of foreign currency, etc. It is therefore desirable that all books of prime entry should be kept on an analytical basis.

Secondly, in view of the fact that payments may be made in foreign currencies, it is essential that certain of the accounts be recorded in sterling and currency, and to avoid frequent differences on exchange during the course of the financial year, it is advisable to adopt a fixed rate of exchange for internal use. Differences on exchange which may arise should be written off, as a profit or loss, at the end of the accounting period. In the event of the revaluation of a currency, it will, of course, be necessary to amend the fixed rate of exchange used for internal purposes.

Thirdly, the stock of the business is represented by rail, air, or steamship tickets and coupons, and coupons for hotels and excursions. A monthly return of tickets issued is required to be made to the various railway undertakings. Hence a strict control of the issue and of the recording of such tickets and coupons is essential both for the purpose of the return and in order to minimize the risk of loss.

Lastly, owing to the numerous personal accounts that are raised during the course of the accounting period, both for customers and sundry contractors, control or total accounts should be introduced wherever it is possible.

BOOKS OF ACCOUNT

Travel Day Books

The main business of a travel agency may consist of any one or all of the following types of activities:

(i) *Inclusive tours*, illustrated by way of a booklet for home and abroad, and at a fixed advertised price.

(ii) *Independent travel*, arranged to suit the particular requirements of the customer, and at a quoted price.

(iii) *Holiday camps.*

(iv) *Freight and shipping.*

It is convenient to arrange that the day books conform to the main categories of the business; thus, there will be one for each of the sections named above, viz. British inclusive tours, Foreign inclusive tours, Independent travel, Holiday camps, Freight and shipping. Additional day books may be introduced for any other special features that are operated by the particular agency. The general pattern of the day book is applicable to each section, minor modifications only being necessary to meet the special requirements of each category.

Specimen Ruling of Day Books

Form I illustrates the ruling recommended for the foreign tours day book.

The details of each booking, including the analysis of the total charge to customers, are obtained from the 'Accounts' copy of the order form. This is passed to the accounts department by the booking clerk after the travel arrangements have been accepted, and a deposit has been received from the customer.

The total cost of each tour is entered in column 4, against the particulars of name and reference, and the analysis of this cost is extended into the appropriate columns. A sufficient number of columns must be provided to meet the particular needs of the accounting system in operation.

At the close of each month, the total of column 4 is posted to the debit of the control account, and the totals of the remaining columns are posted to the credit of their respective accounts in the trade or travel ledger.

The debtors and creditors are thus being built up monthly.

The total of column 14 represents the 'standard'

margin of profit earned in that month and is posted to the credit of the 'Foreign tours margin account' in the travel ledger. The accumulated total of all the margin accounts is the measure of the 'standard' profits earned on this category of the business.

Cash Books

It is advisable to subdivide the cash book into a 'cash receipts book' and one or two 'general cash books', in order to cope with the volume of entries that have to be made.

All moneys received are sent together with the relevant information, to the cashier's department where the details are recorded in the *cash receipts book*, and formal receipts issued, the receipt numbers being cross-referenced in the cash receipts book. The daily takings are banked, and the totals transferred to the *general cash book*. Each sum of money received is analysed and extended in the various columns of the cash receipts book the ruling of which is shown in Form II. At the end of each month, the totals are posted to the credit of the sundry accounts in the travel or trade ledger.

Where there are numerous bookings for various holiday camps, a *camps cash receipts book* should be kept on similar lines to the cash receipts book described above. The daily totals of cash received will then be transferred to the cash receipts book, and the individual entries analysed in the camps cash receipts book under the different camps for which the moneys have been received. It follows that the total of each column representing the amounts received for a particular holiday camp will be posted monthly to the credit of the respective camp account in the travel ledger.

The transfers of daily totals from the cash receipts book and the camps receipts book build up the debits in the *general cash book*. In addition, income may be derived from sources other than bookings, such as rents and interest receivable. These receipts would also be debited in the general cash book and posted individually to their appropriate accounts. The credit side of the general cash book will be arranged on an analysis basis, and in most cases it is advisable to subdivide this cash book into two sections, viz.:

(A) payments to railway, air and steamship companies, contractors, hoteliers and other trade accounts, and

(B) payments in respect of salaries, printing and stationery, advertising and general expenses of the business.

If this analysed system of the cash book is used a considerable saving is effected by posting monthly totals rather than individual items. A ruling of the credit side of Section A of the general cash book is set out in Form III. The number of columns may be varied to suit the particular needs of the business. In cases where a discount or commission has been deducted from the invoice price and has been entered in column 5, the full value of the invoice should be extended into the appropriate column.

At the end of each month the total of column 5 will be posted to the credit of the 'Discount received' account, and the totals of columns 6 to 14 to the debit of their respective accounts in the trade or travel ledger. This will ensure that the sundry control accounts will receive the full debits of payments and discounts (or commissions).

The *petty cash book*, kept in the usual columnar form, has to provide for several additional columns to meet the special requirements of the business, such as cash advances to couriers, station guides, cash payments for passports and currency authorizations.

Foreign Cash Book

It may be that a travel agency is represented abroad in various centres, at each of which banking accounts are maintained. Moneys are transferred to these centres for the use of the representatives, and for the payment of local excursions. The banking transactions relating to each centre abroad should be recorded in a *foreign cash book*, suitably ruled for the purpose of showing all transactions in both sterling and currency. A separate section of the foreign cash book should be set aside for each centre abroad which operates a banking account. Where foreign exchange restrictions require it, special accounts (e.g. blocked sterling) will have to be opened. The debit side of the foreign cash book, in the main, reflects the transfer of funds from England and all the entries must be made in sterling and currency. On the credit side, the details of the payments made are entered in sterling and currency, are analysed as required, and posted from thence to the appropriate ledger account. The balances shown in this cash book at the close of the accounting period, represent the balance of cash held in currency at the various centres abroad. For the purpose of bringing these amounts into the balance sheet they should be evaluated at the official rate of exchange quoted at that date, and any difference should be written off to the 'difference on exchange account' in the travel ledger, such a difference being a profit or loss on trading.

Overheads or General Charges

The general expenses of the business should be entered in a separate day book which is called the *general charges or invoice book*. All invoices or demands for rent and rates, printing and stationery, advertising, etc., would be entered in this day book. The analytical system should be applied here, too, and the totals can then be posted periodically to the debit of the sundry expense accounts in the general ledger. Personal accounts may be opened in a *general charges ledger*. In this manner, the accounts dealing with the cost of running the business are kept strictly apart from the trading side of the business. This system moreover, in addition to being self-contained, is self-balancing. As already explained, the cash book should so be planned as to enable the payments to the creditors arising from the invoice book, to be extended into one of the columns of the cash book. A total or control account of the general charges ledger would thus be built up.

Branch Returns

It was envisaged earlier in this article that branches would be engaged on local business independent of the head office, and in addition, would act as an agency by accepting bookings for programme tours.

Each branch, therefore, is required to make a daily return of all the business done, the cash received, and the bankings made. The daily return, copy sales slips, and a banking slip are forwarded daily or weekly to head office where these documents are checked against the entries on the return, and an analysis is made of the various types of business done. A continuous audit of the documents received from the branches must be maintained at head office. After verification and correction, the totals of the daily return will be entered in a *branches sales summary book*, an example of which may be seen by reference to Form IV. Cash receipts are posted from this summary book to the debit of the branch cash account, and the credit to this account will be posted from the actual bankings as recorded in the cash receipts book. The balance on this account represents the cash in hand at that branch. The copy sales slips after being sorted and arranged according to the type of business (e.g. British tours, camp bookings, etc.) are entered in the appropriate day book, in which a section is set aside for each branch. The monthly totals are posted to the debit of the control account for the branch in the travel ledger. From the branches sales summary book, the analysed totals of cash received for the various types of business are posted to the credit of their respective branch control accounts.

The total sales of each branch having been aggregated in the branches sales summary book, the commissions earned by each branch can be computed and credited to the branch profit and loss account.

The assets of each branch – premises, furniture and fittings, etc. – are recorded in the books at head office.

All disbursements of petty cash and of sundry expenses incurred at a branch should be dealt with on the imprest system, no deductions from cash received for bookings or tickets being permitted. Any such items of expense are collated and summarized in a *branches disbursements book* and posted periodically from thence to the general ledger. The expenses of each branch then, are treated separately and at the close of the accounting period are closed off to the branch profit and loss account.

It is necessary to emphasize that the branch returns should be adequate in order to comply with the requirements of the Companies Act, 1948.

Adjustments Journal

The nature of the business of a travel agency is such that many modifications and adjustments arise as a result of variations in customers' travel arrangements, or by virtue of corrections in the sundry returns submitted. It is highly advisable therefore to carry out such amending entries by way of a journal. The cancellation of a tour, or independent travel, could be recorded by making an entry in red to indicate a deduction in the day book in which the original entry was made, but alterations may occur which involve two or more different day books or ledgers. Such adjustments should be journalized. This *adjustments journal*, however, should not be confused with the general or private journal which is normally used for the purpose of closing off accounts.

The Ledgers

In addition to the private ledger, and general or nominal ledger, with which readers are no doubt familiar, there are the *trade*, *travel*, *disbursements*, and *sales ledgers*. The special functions of these ledgers are described below:

All trade accounts, e.g. hoteliers, contractors, railway, air and steamship companies, and the like, are kept in the trade ledger. While the travel ledger contains those accounts which, in the main, produce profits or losses, commissions

and margins, couriers and conducting expenses, and the sales ledgers control accounts. The disbursements ledger has been described above. The sales ledgers in which are to be found the personal accounts of the customers, should be subdivided in accordance with the main sections of the travel agency's business, and further subdivided under the head of each section, to facilitate reference to the clients of head office, branch or subagent. A control or total account is built up in the travel ledger for each subsection of the sales ledgers, e.g. Foreign tours sales ledger control account (Subagents). This subdivision of the sales ledgers control account is of the greatest assistance when agreeing the control accounts with the schedule of balances.

Stock Control

The stocks of a travel agency consist of rail, air and steamship tickets and coupons, hotel and excursion coupons, and the like. The rail ticket stocks are subject to inspection by the railway companies at any time, and all tickets and coupons have to be accounted for. It is essential, therefore, that accurate records of tickets received and issues made should be kept.

The problem involved in maintaining an efficient stock control is twofold; namely, to ensure (*a*) that the correct tickets and coupons are issued to the customer and (*b*) that such issues are made only against an authorized order so that no losses are sustained through pilfering or petty theft.

When supplies of tickets and coupons are received they are entered immediately by the accounts department on the appropriate folios of a *stock ledger*. The physical stocks are checked at the end of each month, and the lowest numbers of the tickets in stock noted in the stock ledger. Care is taken always to see that the tickets are being maintained in consecutive number order. Every ticket or coupon issued is recorded in detail on the order copy of the account which serves as the authorization for the issue. The details include the class of travel, the serial number of the ticket, the date of issue, the stations of departure and destination, and the price of the ticket. In the case of hotel and excursion coupons, information relating to the place and duration of stay, and the particulars of each excursion are similarly recorded.

From the information supplied on the order copy of the account, the issues made are entered in the tickets stock ledger and in the coupons issued book. These two books are used by the accounts department when agreeing the classifications made to the railway company, the returns to the air and steamship companies, or the accounts rendered by the hoteliers and excursion contractors. Considerable detail is involved in this work and accuracy is required to ensure good results.

Monthly Classification of Passenger Traffic

A monthly classification of railway tickets is required to be returned to the railway companies. This form which is most comprehensive in nature, is compiled from the stock ledger by deducting from the last recorded serial numbers of tickets issued, those of the previous month, the difference representing the issues for that month. It is a necessary precaution that the stock ledger is kept in the accounts department.

The classifications of passenger traffic submitted each month by the travel agency are audited by the railway companies, and if the compilation of the returns were carried out in the manner described, any adjustments notified by the railway companies are examined and checked with the stock ledger. In the light of this investigation the necessary adjustments are then made in the books.

Internal Stock Audit

To render the stock control system efficient, an internal audit is carried out from time to time in various selected sections of the stock. All tickets and coupons issued are traced through the order copy of the account, and checked with the original entries made in the travel day book and the customers' personal accounts. It is thus possible to confirm the correctness of the issues charged to customers. Any possible source of error or loss is thereby located, and the necessary corrective action taken. Where a branch holds its own stocks and is responsible direct to the railway companies, a head office official should check such stocks at various times, without previous notice being given to the branch.

The Agreement of Sundry Contractors' Accounts

The procedure for the payment of sundry contractors' accounts differs considerably from that relating to the railway companies. Hoteliers and excursion contractors are obliged to render an account, supported by the coupons which have been surrendered by customers. Every coupon is checked with the coupons issued book and if found to agree, it is cancelled, and the contractors' account is passed for payment. A similar method of passing accounts is employed

Form I FOREIGN TOURS DAY BOOK. Month of................ Section........

Ref. No.	Particulars	Ledger Folio	Total	Foreign Rail Tickets	Air Tickets	Foreign Hotels		Meals and Sleepers	Passports	Baggage Insurance	Ledger Folio	Sundries	Margin of Profit
						Sterling	Currency						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)

Form II CASH RECEIPTS BOOK

Date	Name	Recpt. No.	Ledger Folio	Total	G.C.B. Folio	Daily Total	British Tours	Foreign Tours	Branch 'A'	Camps	Agents	Ledger Folio	Sundries	Allowances — Commissions

Form III GENERAL CASH BOOK. SECTION A: CREDIT SIDE

Date	Particulars	Voucher or Cheque No.	Payment	Discount — Commission	British Hotels	British Railway Cos.	Air Companies	Foreign Hotels		Ledger Folio	Sundries	Meals and Sleepers	Refunds
								Sterling	Currency				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)

Form IV BRANCHES SALES SUMMARY BOOK. BRANCH 'A'. Month................

Date	Details or Remarks	Cash Received	British Tours	Foreign Tours	Holiday Camps	Independent Travel	Special Parties	Freight and Shipping	Sundries

in the case of air, steamship and theatre tickets.

At the end of the financial year, the coupons issued book is scrutinized and a list of uncleared items in the various categories taken out. Each item is investigated, and if it is still outstanding the value of such coupon or ticket is listed under the name of the contractor who ranks as a creditor for such sum. Thus the details of the creditors on each of the accounts for air tickets, steamship tickets, and of hoteliers and sundry contractors is obtained. It will be recalled that the trade ledger contained all these accounts to which was credited the value of the tickets and coupons recorded in the travel day books, and to which was debited the payments made. The total of the individual creditors, for example, in the case of steamship tickets, as listed from the coupons issued book, must be reconciled with the balance on the steamship tickets account in the trade ledger.

The same method is employed in agreeing all the sundry contractors' accounts, and any difference between the balance on the total or control account and detailed list of creditors must be investigated and the necessary adjustments made.

Mechanized Accounting

The mass of detail and the multiplicity of transactions point clearly to the question of employing a mechanized system of accounting. There is always the need for various statistics, vital to the efficient management of the business, and a mechanized system would afford greater accuracy and a saving in time. On the other hand, there are two disadvantages to be considered, firstly, that it would be extremely difficult to arrange an even flow of documents throughout the year since the travel business is a highly seasonal one, and secondly the cost of a mechanized system of accounting might prove to be too great, except for the largest travel agencies. This question, therefore, deserves careful consideration, and can only be settled in the full knowledge of the facts.

Conclusion

It must be stated that it has not been possible, within the limits of this article, to describe in detail all the ramifications of travel agency accounting. The general principles here enunciated, however, may well be adapted to meet the needs of any particular travel agency.

CHALLENGING DECISIONS OF RENT TRIBUNALS

by T. J. SOPHIAN, Barrister-at-Law

RENT tribunals have been constituted under the Furnished Houses (Rent Control) Act of 1946, and the Landlord and Tenant (Rent Control) Act of 1949. The functions of tribunals under the 1946 Act are not quite the same as their functions under the 1949 Act. Under the 1946 Act they are empowered to inquire into the rents of premises which are let as a residence at a rent which includes payment for the use of furniture or services, whereas under the 1949 Act the tribunal is concerned with determining what should be the proper standard rent of premises which have been erected or converted and let thereafter for the first time after September 1st, 1939.

Certiorari: Prohibition: Mandamus

No right of appeal is given against the decisions of such tribunals and therefore the only means available for challenging their decisions is by applying to the High Court for an order of certiorari to have the decision complained of removed into the High Court and quashed. The principal ground in which certiorari would lie in such cases is because the tribunal has exceeded its jurisdiction. To take an instance: under Section 2 of the Act of 1946, a tribunal can only act where the letting is one which includes payment for the use of furniture or for services, and if the rent is not a rent of this character then the tribunal would have no jurisdiction.

The question of jurisdiction can also arise in cases where the applicant is desirous at the outset to prevent the tribunal from entertaining the question which it is not entitled to try and in such a case the applicant would apply to the High Court for an order of *prohibition* addressed to the tribunal and prohibiting the tribunal from hearing the reference. On the other hand, if the tribunal has jurisdiction but considers that it has not and therefore declines to entertain a reference, the aggrieved party would in a proper case, that is if there was in fact such jurisdiction, be entitled to apply to the High Court for an

order of mandamus directed to the tribunal and commanding them to hear the reference in question.

Where the tribunal has given a decision which is to be challenged as already stated, certiorari is the proper remedy if there is no jurisdiction, but in some cases certiorari would lie, even though the tribunal had jurisdiction where the order was in the nature of what is called a 'speaking order', that is, if the order clearly showed on its face that the tribunal in arriving at its decision had erred in law. This point was recently brought out in a case, which, however, was not a rent tribunal case, namely, *Rex v. Northumberland Compensation Appeal Tribunal; ex parte Shaw*, which so far has not been reported. [See, however, *Rex v. Paddington; ex parte Kendal Hotels* ([1947] 1 All E.R. 448) in which there are dicta to the effect that even if the tribunal had misconstrued the statute or had rejected evidence, or had come to a decision without evidence, certiorari could not be granted if the order appeared to be good on the face of it and within the tribunal's jurisdiction.]

Moreover the High Court would interfere where the reference was not one which purported to have the rents of individual houses determined, but one which purported to effect a general fixing of rents in the district. Thus a council was held not to be entitled to refer the tenancies of a block of 555 flats merely because of the rule which it had adopted that if two or more reductions of rent had been made by that tribunal in respect of any property, all other tenancies in respect of that property would be referred. This was one of the points in *Rex v. Paddington Rent Tribunal; ex parte Bell, London and Provincial Properties Ltd* ([1949] 1 All E.R. 720). Again, as that case indicates, if a tenancy is referred without any complaint being made by the tenant and without giving the landlord an opportunity of dealing with the matters urged in support of a reduction of rent, as, for example, that the flats were not up to modern standards, the decision of the tribunal would be liable in such circumstances to be quashed.

Status of Tribunals

At the same time it must be recognized that the status of these tribunals is somewhat peculiar. Although they exercise quasi-judicial functions, the procedure before them is not quite the same as that before an ordinary court of law. Thus in *Rex v. Brighton Rent Tribunal; ex parte Marine Parade Estates (1936) Ltd* ([1950] 1 All E.R. 946), statements were merely made at the hearing by counsel and no evidence was called on behalf of the tenants. The landlords, on the other hand, called witnesses who were not cross-examined and the figures submitted by one of these witnesses, showing that on the existing rent the landlords were already making a loss, were not examined by the tribunal. The Divisional Court nevertheless refused to interfere with the decision of the tribunal reducing the rents. It was pointed out in that case that such tribunals may act on their own knowledge and on their own inspection of the property and while it was the duty of the tribunal to hear witnesses whose evidence was tendered and to allow the cross-examination of such witnesses, it was, on the other hand, not essential that any evidence at all should be called before them. The tribunal could act on statements made to it where such statements were not challenged nor proved to be incorrect.

In determining whether it has jurisdiction, the tribunal is entitled to determine collateral matters for that purpose. Thus in *Rex v. City of London Rent Tribunal; ex parte Honig* ([1951] 1 All E.R. 195) the tribunal entertained the collateral question as to whether notice to quit had expired before the date of the reference, since if that were the case there would have been no contract of tenancy subsisting which could have been referred to it and it would have had accordingly no jurisdiction. The Court held that the tribunal was entitled to entertain such a question and that a party who challenged the correctness of its determination on such a collateral issue was entitled to apply to the Court for a certiorari. In this particular case the application was made on behalf of the landlord, but the Court held on the facts before it that the landlord had not discharged the onus on him of satisfying the Court that the tribunal had come to a wrong decision on the point.

Where a question has been referred to a tribunal but the parties desire that the reference should be withdrawn before the tribunal has given any determination, the tribunal will have no jurisdiction to entertain the reference and if it purports to do so, the decision will be quashed, and in such a case, moreover, prohibition could be applied for before the decision was given. (*Rex v. Hampstead; ex parte Goodman* ([1951] 1 All E.R. 170).)

Three Types of Cases

As far as the Act of 1946 is concerned, there are three classes of cases to be considered. Firstly,

the case of lettings in which no furniture and no attendance is included. In such a case the tribunal would have no jurisdiction by virtue of Section 2 of the Act, nor could the tribunal strain the meaning of the words 'furniture or services' for the purpose of clothing itself with jurisdiction. Thus in *Rex v. Blackpool Rent Tribunal; ex parte Ashton* ([1948] 1 All E.R. 900) the landlord had supplied curtains in two rooms, a gas cooker, an electric clock and a water-heater, none of which articles, moreover, was referred to in the tenancy agreement. The Court held that it could not be said that the rent was inclusive of payments for the use of furniture and that the tribunal in holding the rent was such an inclusive rent, had come to a wrong conclusion and had in fact acted without jurisdiction.

The second type of case is that of lettings in which a substantial portion of the rent is attributable to the use of furniture or to attendance. Such cases cannot fall within the Rent Acts themselves since these Acts do not apply to furnished or service lettings and the tribunal, in arriving at the rent in such a case, would not be trammelled by any consideration of those Acts.

Position of Rent Acts

The third class of case is one in which the letting may be at a rent which is inclusive of the use of some furniture or services, but not to such an extent as to take the case out of the Rent Acts. Here both Acts, as it were, flow into one stream, but under Section 7 of the 1946 Act it is expressly provided in effect that with the exception of Sections 9 and 10 of the Rent Act of 1920, which apply to furnished lettings, the provisions of the Rent Acts are not in any way to be affected by the 1946 Act. That being so, if a letting which is controlled by the Rent Acts is referred to the tribunal, the tribunal cannot reduce the rent to a figure which is lower than the standard or recoverable rent, as the case might be, under the Rent Acts themselves, and if the tribunal purported to do so its decision would be quashed. (See *Rex v. Paddington Rent Tribunal; ex parte Bedrock Investments Ltd* ([1947] 2 All E.R. 15; [1948] 2 All E.R. 528).) The position in such a case was thus explained by the Court:

> 'If the tribunal found a house, the standard rent of which is £x and it is let for £x+£y, £y representing the use of furniture or services, the tribunal could deal with the £y as it liked, so long as the total was not reduced below £x.'

Moreover, the tribunal is not entitled to give damages for breaches on the part of the landlord of his covenant to provide furniture or services, nor does any such breach justify the tribunal in fixing a lower rent. In such cases the remedy open to the tenant is to take proceedings in the ordinary way in the courts. (See *Rex v. Hampstead Rent Tribunal; ex parte Ascot Lodge Ltd* ([1947] 2 All E.R. 12).) Furthermore, as this case indicates, before the tribunal can have jurisdiction there must be a contractual obligation on the landlord to provide furniture or services. The fact that the landlord might voluntarily and without consideration provide furniture or services will not clothe the tribunal with jurisdiction, not even in cases where the tenant expects these benefits and in fact is receiving them.

Again, the tribunal is only concerned with the agreement evidenced by the lease or other document which is brought before it. The tribunal is not entitled to rectify any such document for the purpose of clothing itself with jurisdiction. Thus the Act of 1949 does not apply to premises let for the purposes of trade, and in *Rex v. Hackney Rent Tribunal; ex parte Keats* ([1950] 2 All E.R. 138), the agreement before the tribunal provided that the tenant was to use the premises for the purpose of tailoring only. The tribunal considered this provision was a sham and that the premises were a dwelling house and that it had jurisdiction. The Divisional Court, however, quashed its decision on the ground above mentioned. In such a case the proper procedure would be for the party who complained that the agreement did not set out the terms which were in fact agreed, to apply to the ordinary courts for rectification, and after having obtained rectification, such party could bring the case before the tribunal, that is if the effect of the rectification was to make the letting one which was within the tribunal's jurisdiction.

Perhaps one may conclude by referring to the most recent case of *Rex v. Paddington Rent Tribunal; ex parte Holt*, *The Times*, January 25th, 1951, where the Court reminded tribunals that there was no scientific yardstick by which the just rent of premises could be fixed in cases falling under the 1949 Act. That Act was primarily intended to meet the case of small weekly tenants and where educated people, professionally advised, had agreed the rent among themselves, the fair rent was likely to be the rent which the parties themselves had agreed should be paid.

WEEKLY NOTES

Tax Law Consolidation

There was heartening news this week that the consolidation of the income-tax statutes, which we have been urging for so long, may not now be far distant. The news is contained in a report in *The Times* of March 13th, of the Lord Chancellor's presidential address to the Holdsworth Club at Birmingham University on Monday last. According to this report, he said that many consolidation Bills were now in preparation, and that he could not refrain from mentioning two of them that might see the light of day in the near future. He mentioned them because of their immense size and importance and because of the insistent demand which for many years had been made for them. These were income-tax and customs and excise. The former would be a purely consolidating Bill, the latter would introduce amendments.

Dollar Exports

Last week's convention organized by the Dollar Exports Board at Eastbourne was a useful reminder that there is still an urgent need to sustain and even improve upon the present level of dollar exports. Two points in particular stand out – the report on the American market by the E.C.A. administrator for Britain and the remarks from the Chancellor of the Exchequer.

Mr Batt, the E.C.A. administrator, was able to give a summary of the reactions of the United States' public and of the manufacturer in that country to imported consumer goods in these days of shortages in the American market. While the consumer would welcome increased supplies of goods which the local manufacturer cannot produce owing to the current shortage of materials caused by the United States armament programme, the American manufacturer was likely to take the opposite view. British industry can draw its own conclusions from this about the activities of pressure groups in Washington on members of Congress.

The Chancellor of the Exchequer was at some pains to point out that the Government was fully aware that it could accomplish very little – and do much in the opposite direction – by laying down an over-simplified directive about priorities for defence and export. He admitted that the ramifications of supply were so complex that no detailed and extensive system of priorities and allocations would work satisfactorily in times of peace or partial mobilization of the country's resources and that a simple system of disseminating information was the best way of ensuring that industry understood the broad lines on which the Government wished priorities adhered to. To this end, regional machinery is to be set up to advise industry (when firms wish to seek advice on priorities) as to whether an order for a certain market should be fulfilled or given a degree of priority.

Pre-Budget Banking Trends

The flow of tax to the Revenue is having its customary seasonal effect on bank deposits as the fiscal year draws to a close. It is usual at this time of the year for the payment of taxes to cause a significant reduction in the volume of bank deposits, and for this decline to be reflected in a similar fall in the volume of government debt held by the banks. This is because the Treasury uses the incoming revenue to pay off a portion of its short-term debt.

True deposits (that is, after allowing for items in the course of collection) are £208 million lower on the month at £5,834 million. This brings the decline in true deposits so far this year to £265 million. In this latest period for which results were published last week covering the five weeks ended February 21st there was the usual consequential fall in short-term Government debt on the assets side. Bills and Treasury deposit receipts were £220 million down on the previous period.

The other feature of the figures is the rise in investments and advances, particularly the latter. Advances were £62 million up on the month. Three influences have probably been at work here. First, overdrafts may have been on the increase to meet tax demands. Second, industry may well be calling to an increasing extent for more accommodation to finance stocks and work in progress as the wholesale price level continues to rise. There has also been a special factor at work this time however, namely, the impact of the banking strike in Ireland, which has kept the advances of one of the larger banks temporarily at an unusually high level.

Changing Role for O.E.E.C.

The Organization for European Economic Co-operation was set up to administer those matters concerning Marshall Aid which required the over-sight of a body representing the whole of Western Europe. It was inevitable that as Western Europe reached the later stages of convalescence (typified by the suspension of Marshall Aid to the United Kingdom) the functions of O.E.E.C. should tend to be curtailed.

This week, the Council of Ministers of O.E.E.C. issued a resolution on the dangers of inflation to the economies of Western Europe. This statement suggests that O.E.E.C. has found a new role for itself. Instead of being an administrative organization for dollar aid it has now laid a claim to be a forum for the exchange and discussion of economic information at ministerial level. More than that, it is beginning to take an interest in the formation of European economic policy. This changeover in its activities has not, however, been as abrupt as might appear at first sight. The organization has already had some success in sponsoring proposals for the increased liberalization of European trade and the establishment of the European Payments Union.

FINANCE AND COMMERCE

A three-week account broken by the Easter holidays and to be followed by the Budget is bringing subdued conditions to London stock markets. The recent outburst of activity in commodity issues has quietened down and home stocks are merely steady.

From Nairobi

The accounts of a company in Nairobi provide this week's reprint. The company is W. Boyd & Co (Printers) Ltd, and we are indebted to its chairman, Mr R. S. Alexander, F.S.A.A., for its very interesting accounts.

Mr Alexander says in his covering letter that 'we in this colony are still working under the Companies Ordinance, 1933, which is based on the Companies Act of 1929 in the United Kingdom, but it is the policy of my firm, wherever possible, to try and work to your Companies Act, 1948, and the more modern methods and techniques which you are continually and so ably informing us about through *The Accountant*.'

The accounts speak for themselves, but our reprint cannot convey the very pleasing effect given by the use in the original of a light-green gloss paper, printed in black for current figures and narrative, and in red for the comparison. The whole production is a fine example of the art of printing, the company's business, which, says Mr Alexander in his statement with the accounts, the board intends to improve by further capital investment. Capital investment out of company earnings is comparatively cheap in Kenya for, although income-tax appears to have gone up a shilling, the deduction from the final dividend is still only 5*s* in the £.

Mr Alexander, we should add, is a member of the firm of accountants and auditors, Messrs Alexander & Ingram, which acts as secretaries to the company.

Argentine Exchange

'Even under normal conditions there are obstacles to giving a picture of the true financial position of a concern the entire business of which lies abroad', Mr A. Faller, A.C.A., the chairman of Harrods (Buenos Aires) Ltd, says in his statement with the accounts to August 31st, 1950. But on this occasion, he continues, the break in exchange has been so great that comparisons with previous years are almost worthless, more especially when taking into account that there has been a marked increase in price levels in Argentina.

One example in these accounts of the distortion produced by exchange is in the charge for interest which in sterling is down by £22,022 although the actual disbursement in pesos was greater. Endeavour has been made to give shareholders an idea of the trend of trading in Argentina, unobscured by repercussions of exchange, by opening the consolidated profit and loss account with the peso trading profits, which, mainly owing to official controls in Argentina, were down 5,764,946 pesos to 33,486,530 pesos. This figure, the narrative runs on in the next line, represents an equivalent, after taking account of sterling items, of £811,211 which is just about half the corresponding 1949 figure of £1,900,496.

The final result for the year in sterling is that after providing £1,900,361 for the loss on net current assets due to exchange depreciation, there is a loss for the year of £1,279,132. The position of such companies as this, is one of the consequences of the present trade, exchange and political relations between Great Britain and Argentina. Mr Faller himself points out that 'fresh meat has not been shipped to Britain since July last'.

Pictorial Accounts

Pictorial accounts are a problem. Some people like them; some don't. We think they have come to stay and expect to see more companies issuing pictorial descriptive booklet accounts. The Americans, of course, are leaders of the fashion and we have before us at the moment the 1950 accounts of the Caterpillar Tractor Company, illustrated in colour. We hope to reprint the balance sheet next week.

The directors of Boulton & Paul Ltd, of Norwich, seem to have effected a compromise by a formal chairman's statement and accounts, bound within, and a size smaller than, a pictorial description of the company's work and products. Those who eschew the picture part can take out the accounts and discard the rest. This may not have been the idea officially but the mode of presentation thus lends itself.

The company's production described in the booklet is extremely varied, ranging from steelwork for buildings to Antarctic huts, boiler houses for Australia, wire netting, and 'Pedalo' watercraft, those twin-pontoon, pedal-paddle, water 'cycles' one sees at the seaside.

A feature of these accounts is the simplified version which give a summary of the full accounts and a two-year comparison. In the case of the simple balance sheet, the form, in effect, is a statement of the full balance sheet group totals: current assets less current liabilities plus fixed assets etc. Another point is the inclusion of the consolidated profit and loss account in the directors' report, saving repetition of figures. The board, which includes Lord Wilmot, has this year raised the dividend from 20 to 25 per cent and raised the dividend equalization reserve to the equivalent of one year's net dividend.

Money Market

With applications totalling £339,335,000 the market obtained 68 per cent of its Treasury bill requirements on March 9th. The average rate was 10*s* 2·97*d* per cent and this week's offer is for £250,000,000. There is a Treasury deposit receipt call for £25,000,000.

W. BOYD AND COMPANY (PRINTERS) LIMITED

Balance Sheet or Statement of Financial Position as at September 30th, 1950 and 1949

	1950 £	1950 £	1949 £	1949 £
A. Capital and Reserves:				
1. Share Capital:				
Authorized:				
10,000 5 per cent Redeemable Preference Shares of Shillings 20s each	10,000		10,000	
20,000 5½ per cent Preference Shares of Shillings 20s each	20,000		20,000	
45,000 Ordinary Shares of Shillings 20s each	45,000		45,000	
	£75,000		£75,000	
Issued and Fully Paid:				
10,000 5 per cent Redeemable Preference Shares of Shillings 20s each	10,000		10,000	
20,000 5½ per cent Preference Shares of Shillings 20s each	20,000		20,000	
32,000 Ordinary Shares of Shillings 20s each	32,000	62,000	32,000	62,000
2. Capital Reserve (being Profits on Sales of Fixed Assets) retained in the business		145		131
3. Net Profit retained in the Business as per Statement attached		6,249		8,212
		68,394		70,343
4. Income Tax Equalization Reserve		3,031		
5. Amount set aside for Estimated Future Income Tax (assessable in the calendar year 1951)		1,575		1,180
		£73,000		£71,523
Used in the Business as follows:				
B. Working Capital:				
Current Assets (required to carry on daily transactions):				
6. Cash at Bank and on hand	8,803		6 255	
7. Amounts receivable from Customers and others (Debtors) less provision for amounts which may not be collected	4,968		6,207	
8 Stocks of purchased materials and finished and partly finished products, at or below cost, as certified by the Company's Officials	10,742		9,691	
9. Expenses paid in advance	132	24,645	80	22,233
Current Liabilities:				
10. Amounts owing by the Company for materials, goods and services	1,821		1,954	
11. Unclaimed Dividends	36		—	
12. Passages and Leave Pay etc., estimated commitment	1,212		483	
13. Dividends proposed, less Income Tax at 5s in the £:				
Redeemable Preference Shares £187 10 0			200	
Preference Shares 412 10 0			440	
Ordinary Shares (subject to confirmation by the Shareholders at the Annual General Meeting) .. 1,800 0 0	2,400		1,920	4,997
		5,469		
Working Capital		19,176		17,236
C. Fixed Assets:				
14. Plant, Machinery, Linotype Metal and Equipment:				
At Cost as at October 1st, 1949	45,788			
Additions during the year less sales	5,554			
	51,342			
Less Provision for depreciation to date	12,678	38,664		37,591
15. Goodwill (including acquisition of lease) at cost		13,160		13,160
D. Preliminary and Formation Expenses	3,536			
Less Amount written off	1,536	2,000		3,536
		£73,000		£71,523

R. S. ALEXANDER, W. B. HAVELOCK } *Directors.*

Profit and Loss Account for the year ended September 30th, 1950 and 1949

	1950 £	1950 £	1949 £	1949 £
Gross Profit		18,772		20,340
Less Expenses of Administration	6,877		5,140	
Depreciation	4,480		4,228	
Bad Debts	1		102	
Directors' Fees, subject to confirmation by the Members	425	11,783	425	9,895
		6,989		10,445
Add Rents from Sub-Tenants and Sundry Revenue		230		259
Net Profit for the year		7,219		10,704
Net Profit retained in the business from the previous year		8,212		1,888
		£15,431		£12,592
Allocated as follows:				
Taxation on the Profits for the year		1,575		1,180
Preliminary and Formation Expenses: proportion written off		1,536		—
Transfer to Income Tax Equalization Reserve		3,031		—
Dividends paid:				
On 10,000 5 per cent Redeemable Preference Shares for the half-year to March 31st, 1950, less Income Tax at Shillings 4s in the £	200		200	
On 20,000 5½ per cent Preference Shares for the half-year to March 31st, 1950, less Income Tax at Shillings 4s in the £	440	640	440	640
Dividends proposed:				
On 10,000 5 per cent Redeemable Preference Shares for the half-year to September 30th, 1950, less Income Tax at Shillings 5s in the £	187 10s		200	
On 20,000 5½ per cent Preference Shares for the half-year to September 30th, 1950, less Income Tax at Shillings 5s in the £	412 10s		440	
On 32,000 Ordinary Shares at 7½ per cent for the year to September 30th, 1950, less Income Tax at Shillings 5s in the £	1,800	2,400	1,920	2,560
Retained in the business		6,249		8,212
		£15,431		£12,592

In accordance with the provisions of the Companies Ordinance, 1933, we have audited the foregoing Balance Sheet of W. Boyd & Company (Printers) Limited, as at September 30th, 1950, and have obtained all the information and explanations we have required. In our opinion the Balance Sheet is drawn up so as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information and the explanations given to us and as shown by the books of the Company.

DUNN, HORNBY & COWIE,
Auditors.

Dated this 9th day of January, 1951,
Nairobi, Kenya Colony.

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

'Attack on Accountants'

SIR, – From correspondence which has reached me it appears that certain members of the accountancy profession are under the impression that this Association is connected with, or responsible for, the remarks made by Mr Douglas Houghton, M.P., regarding the accountancy profession, which formed the subject of comment in the March 3rd issue of *The Accountant*. I feel bound, therefore, to make it perfectly clear that Mr Houghton is Secretary of the Inland Revenue Staff Federation and has no connexion with the Association of H.M. Inspectors of Taxes. So far as this Association is concerned we entirely dissociate ourselves from the remarks of which you complain. Our relations with the accountancy profession have always been those of cordial co-operation and we hope that such will always be the case.

Yours faithfully,
S. B. MACLEOD,
President,
ASSOCIATION OF HIS MAJESTY'S INSPECTORS OF TAXES

London, EC2.

Accountants' Salaries

SIR, – As a practitioner who employs a number of qualified accountants, I would like 'WRACA' (*The Accountant*, March 3rd, 1951) to know that I entirely agree with his views upon the appallingly low salaries paid to many qualified men employed in professional offices.

The chief reason why higher salaries are not paid is that many practising accountants' fees are so low that they are unable both to pay their staffs adequately and to earn a decent living themselves. In some cases they do neither.

It will never be possible for the general level of salaries to be raised until some official guidance is given to practising accountants on the question of fees. Far too many of them, whether they realize it or not, are totally ignorant of what is a proper scale of charges and continue to accept fees that are an insult to themselves and to their profession. While this situation continues, it is often impossible for the more enlightened practitioner to command the larger fees necessary to pay his staff adequately, owing to the comparison drawn by his clients with the fees charged by other firms.

Despite lack of success, in the past, in attempting to persuade the council of my own governing body to give guidance on the subject of fees to those of its members who assuredly need it, I again urge it, and the other accountancy bodies, to take some definite action in this direction. If they do not, qualified men will not take positions in professional offices owing to the low remuneration which is all that can be offered at present and the standard of work in the profession will fall.

If all practising accountants who are, of necessity, underpaying their staffs, qualified or otherwise, and all accountants employed in the profession who are being underpaid, would realize that it is only by promoting some unanimity on the question of fees that salaries can be increased and would convey their views to their nearest district society forcibly and often, something might be accomplished.

I have heard it suggested that the accountancy bodies might fix a minimum scale of salaries to be paid to those of their members who are not in practice. This, in my opinion, would be putting the cart before the horse and the only effects would be that the minimum scale would tend to be regarded also as a maximum and that fewer professional firms would be able to employ qualified accountants on their staff.

Yours faithfully,
NORTH LANCASHIRE.

Superannuation Contributions

SIR, – Your correspondent, Mr Barlow, writing in your issue of March 3rd, may be interested to learn that his proposal to bring in to credit the net receipts from salaries under the National Health Scheme has already been adopted in practice.

The suggested method was followed in the first year's accounts in which salaries were credited. This was rejected by the Revenue. In the second year the legal method was adopted. The Inspector himself then proposed the alternative method as avoiding the annual adjustments otherwise required. I may mention that there had been a change of Inspector in the meantime.

The second method is certainly equitable but it results in the allowance for superannuation being given later than would otherwise be the case, and for this reason the procedure may be detrimental to a person who is already in practice.

Difficulty in ascertaining the amount of the superannuation, particularly on arrears, was experienced in this case. However, inquiries addressed to the hospitals concerned and backed by the client's authority resulted in very full and clear statements being obtained.

The pay-chits are now posted in a bound book under the name of the hospital paying the salary, and once this method is properly started, it will be found to afford an effective and permanent record of the salaries received.

Yours faithfully,
Teddington, Middlesex. P. H. HININGS.

Medical Practices: Partnership

SIR, – In reply to the question raised by 'Arturos' in your issue dated March 3rd:

1. The 1950–51 assessment on the partnership is *not* in any way affected by the admission of D. Both gross fees and admissible expenses for the basis period (year to December 31st, 1949) remain the same.

2. The division of the gross fees for 1950–51 assessment is altered to the facts of 1950–51, i.e:

	Total	A.	B.	C.	D.
	£	£	£	£	£
Original basis ..	8,000	3,000	3,000	2,000	–
New basis ..	8,000	2,400	2,400	2,000	1,200
	±£0	–£600	–£600	±£0	+£1,200

3. The division of expenses for 1950–51 is arrived at by taking the expenses of each partner whose proportion of gross fees has been reduced (A. and B.) and reducing his expenses in like proportion.

The total of these two expense reductions are allowed to D. as his 'notional' expenses for the first year.

The principle is that the *basis* of assessment on actual gross fees and actual expenses incurred by the partnership in the basis period is *not* disturbed. The *division* of the fees and expenses remains a matter of partnership agreement.

4. In this case expenses would be as follows:

$$\text{A. } £900 - \left(\frac{£600}{£3{,}000} \times £900\right) \quad .. \quad = \quad 720$$

$$\text{B. } £600 - \left(\frac{£600}{£3{,}000} \times £600\right) \quad .. \quad = \quad 480$$

$$\text{C. } £400 \quad .. \quad .. \quad .. \quad .. \quad = \quad 400$$

$$\text{D. } \left(\frac{£600}{£3{,}000} \times £900\right) + \left(\frac{£600}{£3{,}000} \times £600\right) = \quad 300$$

$$£1{,}900$$

(C. who suffered no change in his proportion of gross fees also suffers no change in his proportion of expenses.)

5. The division of gross fees for 1951–52 presents no difficulty. It will be the total fees earned for the year to December 31st, 1950, divided in the ratio 6 : 6 : 5 : 3.

6. The division of expenses for 1951–52 will be arrived at by taking the actual expenses of the partnership:

A. 12 months to December 31st, 1950
B. " " " "
C. " " " "
D. 9 " " "

and adjusting to a twelve months basis for D. as follows:

From A. deduct 1950 expenses × 1/4th (3/12ths year) × 1/5th (proportion of loss of gross fees)
From B. deduct 1950 expenses × 1/4th (3/12ths year) × 1/5th (proportion of loss of gross fees)

To D.'s expenses add the expenses deducted from A. and B. (above).

(There is no adjustment of C.'s expenses as his proportion of the gross fees is *not* affected by the admission of D.)

A final point. D. may either gain or lose in the above calculations when comparing his *actual* expenses for 1950–51 and 1951–52 with his *notional* expenses. This is unavoidable since a basis of one year is used for the calculation of the tax due on the next. We are *not* calculating D.'s expenses, but we are calculating his liability to tax, calculated *on his share of partnership fees less his share of allowable partnership expenses*, which have been arrived at on a previously established basis.

Yours faithfully,
Bristol, 8. K. A. P. DALBY.

SIR, – With reference to the problem raised by 'Arturos', in your issue of March 3rd, I would mention that during this last month I have been dealing with a case which is similar to the example given. Normally no expenses can be claimed by D. unless the cessation provisions are applied, and in that case the usual actual figures are used both for fees and expenses. As in this case it appears that no cessation is being claimed, it is possible for the three original partners, A., B., and C. to transfer a share of their expenses to D.'s benefit; thus he claims 3/20ths from each partner, but he cannot use his actual expenses to April 5th, 1951, until 1951–52. I give below the normal working for 1950–51 and the alternative method, but would add that such a method is entirely at the pleasure of A., B., and C. If one or more of the four partners have considerable income from other sources the position should be examined carefully from the sur-tax angle.

Normal:		A.:6	B.:6	C.:5	D.:3
	£	£	£	£	£
Fees	8,000	2,400	2,400	2,000	1,200
Expenses ..	1,900	900	600	400	–
	£6,100	£1,500	£1,800	£1,600	£1,200

Alternative:
D. to have 3/20ths of total expenses:

	£	£	£	£	£
Expenses ..	1,900	900	600	400	–
To D.	285	–135	–90	–60	+285
		£765	£510	£340	£285

	£	£	£	£	£
Fees	8,000	2,400	2,400	2,000	1,200
Expenses ..	1,900	765	510	340	285
	£6,100	£1,635	£1,890	£1,660	£915

Yours faithfully,
JOMIFCA.

[Owing to pressure on our space other letters on this subject have unavoidably been held over until our next issue. – Editor.]

Fixed Assets and Inflation

SIR, – Mr Andrew, in your issue of March 10th, merely ignores the arguments which have been put forward for adjusting depreciation charges for the fall in value of money. There is no question of any 'voluntary appropriation'. Profits are not stated correctly – or legally – unless costs are deducted in full and the items are expressed in money units of the same kind. One would not deduct the number of francs expended in a branch in Paris from the number of £s of United Kingdom revenues. 1938 £s and 1951 £s are also different currencies; like francs, the former need converting into 1951 £s before being combined in the same account.

I do not venture to regard this long-standing debate as altogether at an end as yet, but critics such as Mr Andrew should meet the argument squarely. The suggestion that adjustment for the fall in the value of money is 'merely for the benefit of the economists' is not a very useful contribution to the controversy with Mr Pakenham-Walsh. At present, profits are overstated from everybody's viewpoint – the shareholder's, the economist's, the business's (particularly from the taxation aspect).

One interesting point in Mr Andrew's letter is the view that the so-called 'adoption' of accounts by shareholders is of significance (I hope that is a fair inference from his comments). It would be interesting to discover in what this significance consists. The accounts are the directors' responsibility. They are issued under their authority after signature by some of their number. Before the annual general meeting, the audit report has been signed, the accounts are published to the world in many cases; they are final. If the shareholders vote against 'adoption', they register disapproval which may certainly have serious consequences, but these do not include the invalidation of the accounts.

Directors have power to make reserves and they cannot be overruled by shareholders. All that the latter can do by way of vote is to reduce the recommended dividends, and this is a power specifically given by the Companies Act. It is doubtful if the formal approval of the accounts is anything more than a polite formula. This is a separate matter from the main controversy, but it would be interesting to know if any of your readers can throw light on the significance of this popular procedure.

Yours faithfully,

London, N13. HARRY NORRIS.

Our Weekly Problem

SIR, – The solution of the problems you set week by week pleasantly beguile a few minutes of leisure, though I must confess that sometimes only the solution in principle is sought.

However, your problem on office tea was a sad disappointment. I picture your Problem-setter as being middle-age plus and approaching the setting of the weekly problem with a precise and scholarly air. The foundation of these problems should be their seeming possibility.

In order for this one to be possible, however, I can only conceive the experiment to have been carried out at the bottom of an unbelievably deep shaft or with the aid of a series of pressure cookers. If the former, may I suggest an addition to the information and a further solution requested, i.e. the depth of the shaft.

If however the latter, then with similar further information, the pressure in the cookers could be asked for. On further reflection I feel that the latter suggestion is impracticable as I fear that the tea would be undrinkable.

A further thought. Should the initial temperature have been given as 200° F.?

Yours faithfully,

Enfield, Middlesex. L. R. ARMITAGE.

[Our Problem-setter writes: It had better be revealed that the following were involved in Our Weekly Problem No. 32: 'Office tea', published on February 10th last: (1) a cathedral organist; (2) a librarian; (3) a secretary to a university vice-chancellor. If none of these were conscious that it would be difficult to brew tea of the kind mentioned, Mr L. U. Sidate must be considered to be in disgrace – but in good company. – Editor.]

Refund to Purchaser for Returned Article

SIR, – Regarding the letter headed as above from Mr A. S. Collinson in your issue of February 17th, it is assumed that the 2½ per cent discount for monthly settlement is a cash, or counting-house, discount as distinct from a trade discount. Should that be so the customer should be credited and the sales account debited with the full value of the returned article.

If the customer continues to do business with the supplier, discount will be taken at the next payment upon only the net amount of the monthly account as rendered, i.e. after the deduction of the full value of returned goods from the total of those supplied during the period, which latter will, presumably, be the greater.

Should the value of the returns and other credits be greater than the purchases, and the customer requires to receive payment for the balance thus standing to his credit, it is contended that it would not be incorrect if 2½ per cent be deducted before such payment is made supposing that it be so made within a month. In other words, the discount should operate equally in both directions.

In either event discount would be debited or credited as the case may be.

Yours faithfully,

Loughton, Essex. S. W. G. IVES.

Hospital Costing in Scotland

Owing to continued pressure on our space a long letter on 'Hospital Costing in Scotland' has been held over until our next issue. – Editor.

LEICESTERSHIRE AND NORTHAMPTONSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

ANNUAL DINNER

The Leicestershire and Northamptonshire Society of Chartered Accountants held their annual dinner at the *Grand Hotel*, Leicester, on Friday, March 9th, 1951. Mr L. C. Simpson, F.C.A., President of the Society, was in the chair, and with Mr H. Garton Ash, O.B.E., M.C., F.C.A., President of The Institute of Chartered Accountants in England and Wales, received the 134 members and guests who attended.

Among those present were Alderman F. E. Oliver, T.D., Lord Mayor of Leicester; the Very Rev. H. A. Jones, B.SC., Provost of Leicester, and Mr G. Day Adams (*President, Leicester Law Society*); Alderman Geoffrey Barnett (*Clerk to the Commissioners of Income Tax*); Messrs S. B. Bordoli, A.S.A.A. (*City Treasurer*); E. G. Davies, F.C.A. (*President, Birmingham Society of Chartered Accountants*); T. W. Davis, F.C.A., A.C.I.S. (*President, North East Midlands and District Branch, Chartered Institute of Secretaries*); J. F. Dunk, F.C.A. (*President, Sheffield Society of Chartered Accountants*); Derek du Pré (*Editor, 'The Accountant'*); E. J. F. Fortune (*Editor, 'Leicester Mercury'*). Messrs P. F. Granger, F.C.A. (*President, Nottingham Society of Chartered Accountants*); T. W. Haird, F.R.I.B.A. (*President, Leicester Society of Architects*); O. W. Horne, M.C., F.C.A. (*President, South Eastern Society of Chartered Accountants*); F. W. Jackson (*President, Insurance Institute of Leicester*); A. H. W. Kimberlin (*President, Leicester and County Chamber of Commerce*); A. S. MacIver, M.C. (*Secretary, Institute of Chartered Accountants*); W. T. Manning, M.C., F.S.A.A. (*President, Leicester Society of Incorporated Accountants*); H. Musker (*H.M. Inspector of Taxes*). Messrs G. B. Robins, F.C.A. (*President, Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants*); R. C. Sorrell, F.A.L.P.A. (*President, Leicester Society of Auctioneers and Estate Agents*); Dr Elfed Thomas, B.SC., PH.D. (*Director of Education, City of Leicester*); Messrs W. D. Webb (*President, Institute of Bankers, Leicester Centre*); G. M. W. West, F.C.A. (*President, Liverpool Society of Chartered Accountants*).

Proposing the toast of 'The City of Leicester', Mr P. F. Granger, F.C.A., President, Nottingham Society of Chartered Accountants, said that the time had come for great cities such as Leicester 'to begin to wonder where they are going'. He stressed that he was speaking non-politically when he pointed out the danger of these cities being used 'as a sort of peg on which Whitehall can hang its instructions'. (Hear, hear.)

The life of a city was, he felt, too much devoted to 'the material plane' and we must try to escape from this occasionally. Making a plea that the arts should not be neglected, Mr Granger continued:

'The great cities in the old days, such as Athens and Rome, combined a tremendous skill in architecture with a magnificent tradition in literature. Today, we seem to be going rather too much on the side of architecture, and not quite enough, I think, on the literary side and the dramatic side.' (Hear, Hear.)

In conclusion, looking back to the great days of Liberalism in Manchester, Mr Granger expressed the hope that one of our cities would come forward in a similar manner to take the lead in raising morale. (Applause.)

The response to this toast was made by Alderman Oliver, who said that as Lord Mayor, he had, of course, replied to this toast 'once or twice before' (laughter), and in doing so he was conscious of two things: the continuity of his office and the great variety of societies and organizations there were within a large city.

The toast of 'The Institute of Chartered Accountants' was proposed by Dr Elfed Thomas, who confessed that he knew 'as little about accountancy as any man can who at least is nominally responsible for spending two and a half million pounds every year' (laughter). However, his recent researches into the history of the Institute had left him with a feeling of awe and reverence, and he realized that a good deal more was entailed than the 'ability to count correctly'.

In conclusion, he said it was particularly refreshing in these days of mass suggestion and the restriction of private liberty to find that as regards the accountancy profession there was no 'canvassing for work' of any kind and that the individual was still free to choose his own accountant. (Applause.)

In the course of his reply to the toast, Mr Garton Ash said:

'In these days when everyone is being urged to increase production, the Institute does not lag behind. Indeed, the Institute, and consequently the Council, are a very productive body. It may be that some members who receive the publications which are the results of their labours consider some of them to be unnecessary. That is quite a natural personal point of view. The time and effort put in by the members of the Council and the staff at the Institute is not, I can assure you, done for the sake of production *per se* – but because the compilation and publication of the document is considered to be of advantage to, and in the interest of, the general body of members.' (Hear, hear.)

Emphasizing the value of the Institute's library, Mr Garton Ash said:

'If a visit to the library from time to time is not possible, members can, by study of the printed catalogue, the short list, and the supplementary lists which can be obtained from the librarian and which are printed at intervals in *The Accountant*, obtain an idea of the books available. At the end of the short list they will see the other services the library can provide.'

He went on:

'In any profession it is not so much what one knows that is important. It is of greater importance to know where specific knowledge is to be obtained when it is required. The library has been well described by Mr Horrox [the librarian] as "a giant memory" which keeps from oblivion all that has been recorded of the thoughts and deeds of accountants concerning accountancy.' (Applause.)

Mr E. C. Corton, F.C.A., Past President of the Society, proposed the toast of 'The Guests', saying that he had been instructed to be 'brief, brotherly and bright'. He extended a charming welcome to the many guests who, he hoped, would give a clean certificate to the 'balance sheet of hospitality' with which they had been presented. Mr Kimberlin responded on their behalf.

The chairman, Mr L. C. Simpson, expressed his gratitude to the honorary secretary, Mr E. E. Dudley, A.C.A., for his excellent work in arranging the dinner and for acting as toastmaster during the evening, and a vote of thanks to the chairman, proposed by Mr P. Russell, F.C.A., was warmly received.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council, held on Wednesday, March 7th, 1951, at the Hall of the Institute, Moorgate Place, London, EC, there were present:

Mr H. Garton Ash, O.B.E., M.C., President, in the chair; Mr C. W. Boyce, C.B.E., Vice-President; Messrs W. L. Barrows, Sir Harold Barton, Messrs T. Hamilton Baynes, B. H. Binder, T. Fleming Birch, J. Blakey, W. G. Campbell, P. F. Carpenter, W. S. Carrington, S. W. Cornwell, A. S. H. Dicker, M.B.E., S. H. Gillett, M.C., P. F. Granger, D. V. House, H. Crewdson Howard, Sir Harold Howitt, G.B.E., D.S.O., M.C., Sir Russell Kettle, Messrs W. H. Lawson, C.B.E., W. R. MacGregor, J. S. Mackenzie, P. Morgan-Jones, S. J. Pears, C. U. Peat, M.C., P. M. Rees, M.C., L. W. Robson, T. B. Robson, M.B.E., G. F. Saunders, G. D. Shepherd, M.B.E., K. G. Shuttleworth, B. Smallpeice, C. M. Strachan, O.B.E., E. D. Taylor, G. L. C. Touche, E. G. Turner, M.C., A. D. Walker, T. Walton, Sir Nicholas Waterhouse, K.B.E., Mr H. B. T. Wilde, with the Secretary and Assistant Secretaries.

Presentation of Prizes

In presenting the following prizes to the under-mentioned candidates, who were able to attend the meeting of the Council, the President said:

Gentlemen,

We welcome here today those candidates who have gained distinction in the November 1950 examinations and on your behalf I extend to each of them our sincere congratulations on having obtained this success.

This is one of those pleasant functions which fall to the lot of a President twice during his year of office, and it must be equally gratifying to each of you to attend in this Council Chamber, the centre of the Institute's activities, and to receive here the tokens of your successful endeavours.

The success which you have obtained in the Intermediate examination I hope foreshadows further success in the Final so that we may again have the opportunity of welcoming you here. That that success is capable of achievement is fully demonstrated by the five Final candidates who are here today, for one was a prizewinner and all of them were awarded certificates of merit in their Intermediate examination. That is worthy of special note for it confirms the view that those articled clerks who apply themselves to their work with a will and desire to succeed can obtain that double success.

I am therefore particularly glad to be able to congratulate you who have now qualified for membership. I feel sure that your applications for that membership will be duly acceded to later in our proceedings, so that we can also welcome you as fellow members, entitled to call yourselves 'chartered accountants' which is the hall-mark of your success.

Membership of the Institute entails responsibilities as well as bestowing benefits, for a member must ever have in mind the trust which his fellow members and the public at large have in his word.

This trust is placed in us because our training is directed towards showing what is right, and because we have, as a profession, shown that we have the courage to stand out for the right in all circumstances.'

The Institute requires of its members the highest standard of professional ethics and I have no doubt that, in whatever work you undertake, you will ensure that those high principles are fully maintained.

I would express the hope that each of you will become a member of your district society so that you can take your part in the work which those societies do to forward the interests of the Institute as a whole.

I would also recommend you to study the Members Handbook which contains much information on many subjects which will be of concern to you, in your professional life, and not least the principles inculcated by the Royal Charters.

Final Examination

First Certificate of Merit, the Institute Prize, the 'W. B. Peat' Medal and Prize, and the 'Plender' Prizes for the Advanced Accounting (Part II), the English Law (Part I) and the English Law (Part II) Papers

Tayal, Yashbir Singh (W. H. Johnstone), London.

Second Certificate of Merit, the 'Walter Knox' Scholarship, and the 'Frederick Whinney' Prize

Figov, Cyril (S. Fisher), London.

Third Certificate of Merit and the 'Plender' Prize for the Taxation Paper

Hewitt, John Herbert (P. F. Granger), Nottingham.

Fourth Certificate of Merit, the Auditing Prize, and the 'Plender' Prize for the Auditing Paper

Deveson, Geoffrey Reginald (G. W. Coleman), London.

'Plender Prize for the Advanced Accounting (Part I) Paper

Clarke, Ralph Norman Gait (C. L. Wykes), Leicester.

Intermediate Examination

First Certificate of Merit, the Institute Prize, and the 'Plender' Prizes for the Book-keeping and Accounts (Limited Companies) and the Taxation and Cost Accounting Papers

Range, Dudley Lawrence (F. H. C. Christmas), London.

Second Certificate of Merit and the 'Robert Fletcher' Prize

Pearlman, Gerald Alan (R. A. Barter), London.

Third Certificate of Merit

Collins, Desmond Francis (A. Riley), London.

Fourth Certificate of Merit, the 'West' Prize, and the 'Plender' Prize for the General Commercial Knowledge Paper

Dean, Walter Richard (E. Bosley), Birmingham.

Fourth Certificate of Merit, the 'Frederick Whinney' Prize, and the 'Plender Prize for the Book-keeping and Accounts (Partnership) Paper

Shroff, Manoranjan Ratilal (M. Striker), London.

Sixth Certificate of Merit
Barrington, Kenneth Charles Peto (B. H. Binder), London.

Seventh Certificate of Merit
Jenner, Michael Henley (G. Place), East Grinstead.

Eighth Certificate of Merit and the 'Plender' Prize for the Book-keeping and Accounts (Executorship) Paper
Ullman, John (D. B. Hirshfield), London.

Tenth Certificate of Merit
Jarrett, Michael Richard (T. B. Hughes), London.

Eleventh Certificate of Merit
Jolly, Donald Cyril (R. D. C. Webb), London.

Twelfth Certificate of Merit
Matthew, Robert Lovell (L. G. Rand), London.
Williams, Howard (A. E. H. Benard), London.

Fourteenth Certificate of Merit
Harrison, Leslie (C. W. Smee), London.

'Plender' Prize for the Auditing Paper
Rodgers, Derrick Thomas (E. J. N. Nabarro), London.

Exemptions from the Preliminary Examination

On the report of the General Purposes Committee two applications under Bye-law 79 for exemption from the Preliminary examination were acceded to.

On the report of the War Bye-law Sub-Committee one application under Bye-law 63 (*a*) for exemption from the Preliminary examination was acceded to and two applications were not acceded to.

Reduction in Period of Service under Articles

On the report of the General Purposes Committee four applications under Bye-law 61 for a reduction in the period of service under articles were acceded to.

On the report of the War Bye-law Sub-Committee two applications under Bye-law 63 (*c*) for a reduction in the period of service under articles were acceded to and three applications were not acceded to.

Exemptions from the Intermediate Examination

On the report of the General Purposes Committee four applications under Bye-law 85 (*b*) for exemption from the Intermediate examination were acceded to and one application was not acceded to.

On the report of the Examination Committee six applications under Bye-law 85 (*a*) for exemption from the Intermediate examination from articled clerks who had produced evidence of having graduated by taking one of the degree courses approved by the Council under Bye-law 62 were acceded to.

Appointment whilst Serving under Articles

On the report of the General Purposes Committee, an application under Bye-law 57 from an articled clerk for permission to hold an appointment during his period of service under articles was acceded to.

Articled Clerks Engaging in Industrial etc. Organizations

On the report of the General Purposes Committee, one application from an articled clerk to spend a part of his articled service with a commercial organization was acceded to and one application was not acceded to.

Resignations from the Council

The resignations of their membership of the Council of Mr Charles Edward Fletcher, F.C.A., London, and Mr James Gibson Harris, F.C.A., London, were accepted with very much regret. Mr Fletcher had been a member of the Council since 1932 and was a past chairman of the Investigation Committee. Mr Gibson Harris had been a member of the Council since 1920 and was a past chairman of the Finance Committee.

Elections to the Council

Mr Kenneth Alfred Edgar Moore, F.C.A., London, was elected a member of the Council to fill the vacancy caused by the resignation of Mr Charles Edward Fletcher, F.C.A., London. Mr Thomas Alexander Lacey Thompson, D.S.O., M.C., B.A., A.C.A., Newcastle upon Tyne, was elected a member of the Council to fill the vacancy caused by the resignation of Mr James Gibson Harris, F.C.A., London.

Carr-Saunders Report on Education for Commerce

On the report of a special sub-committee the Council decided to send to all members a notice regarding the report published in December 1949 of a Special Committee on Education for Commerce set up by the Minister of Education under the chairmanship of Sir Alexander Carr-Saunders. (It is expected that these notices will be issued at the end of March 1951.)

Taxation Treatment of Provisions for Retirement

On the report of the chairman of the Parliamentary and Law Committee the Council approved a memorandum for submission to the Committee on Taxation Treatment of Provisions for Retirement set up by the Chancellor of the Exchequer under the chairmanship of Mr J. Millard Tucker, K.C. Messrs T. B. Robson, M.B.E., F.C.A., W. H. Lawson, C.B.E., F.C.A., and S. J. Pears, F.C.A., were appointed representatives to give oral evidence before the Tucker Committee if required.

National Service: Members of the Institute

The Council authorized the President to write to the Minister of Labour and National Service in connexion with the position, in relation to national service, of members in public practice and the qualified members of their staffs.

Certificates of Practice etc.

On the report of the Applications Committee the following resolutions were passed:

(1) That certificates of practice be issued to the following twenty-four associates who have commenced to practise:

Ainsworth, Wilfrid Philip; 1940, A.C.A.; 6 Amble Avenue Whitley Bay, Northumberland.
Asbury, Frank Roland; 1924, A.C.A.; 'Lamorna', Hampton Court Way, Thames Ditton, Surrey.
Blezard, Betty Ramsden; 1938, A.C.A.; 2 Martin Croft Road, Haslingden, Rossendale, Lancs.
Bottomley, Vernon; 1947, A.C.A.; (Mitchell & Couldwell) 8 Ward's End, Halifax.

Chapman, Kenneth Philip, D.S.C.; 1935, A.C.A.; (Turquand, Youngs & Co), 19 Coleman Street, London, EC2, (for other towns see Turquand, Youngs & Co (Spain), *Turquand, Youngs & Co (Argentine, Bristol (England), Brazil, The East), and *Fuller, King, Turquand, Youngs & Co (Australia).
Coutts, Ian Dewar; 1949, A.C.A.; (*Martin & Acock), Westminster Bank Chambers, 69 London Street, Norwich, and at Swaffham and Watton.
Dinwoodie, John Maxwell; 1947, A.C.A.; Longworthy Cottage, Ball Hill, Woolton Hill, Newbury, Berks.
Evans, Ivor Robert; 1939, A.C.A.; (*Tanner, Evans & Co), 19A Peach Street, Wokingham.
Fowler, James Brian; 1943, A.C.A.; 33 Glebe Hyrst, Sanderstead, Surrey.
Geary, Leonard; 1947, A.C.A.; (Webb & Hall), 90 Deansgate, Manchester, 3.
Goodley, Percy Leonard; 1940, A.C.A.; (*Pexton, Goodley & Co), 107 Jermyn Street, London, SW1.
Griffiths, John Richard; 1948, A.C.A.; (Aston, Parkinson, and Gadd), Selby Towers, 29 Princes Drive, Colwyn Bay, and at Denbigh.
Gura, Seymour; 1950, A.C.A.; 177 Evering Road, London, N16.
Hennell, Ian Alexander, M.A.; 1950, A.C.A.; 7 Connaught Place, London, W2.
Isles, Geoffrey; 1950, A.C.A.; 16 Leslie Avenue, Yeadon, Nr. Leeds.
Miles, Norman William; 1950, A.C.A.; Room 28, St Martin's House, 29 Ludgate Hill, London, EC4.
Newstone, Ronald; 1948, A.C.A.; 87 Elm Park Avenue, London, N15.
Robinson, Edward Maurice; 1949, A.C.A.; (Walter Atkinson), 25A Winckley Square, Preston.
Roper, Keith William; 1950, A.C.A.; (Lambert & Co), 34 Clare Road, Halifax.
Sidebottom, David Nowell; 1950, A.C.A.; 58D Longridge Road, London, SW5.
Smethers, John Charles; 1947, A.C.A.; (Albert Goodman & Co), Broad Street House, 54 Old Broad Street, London, EC2, and at Taunton.
Stewart, Ian Gordon; 1950, A.C.A.; (R. L. Wyllie & Co), 34 Lowther Street, Whitehaven.
Taylor, Edward Alan; 1949, A.C.A.; 19 Eden Road, Grove Hill, Middlesbrough.
Todhunter, Frank; 1950, A.C.A.; (R. L. Wyllie & Co), 34 Lowther Street, Whitehaven.

(2) That fifteen associates be elected to fellowship under clause 6 of the supplemental Charter (Bye-law 31).

(3) That three associates be elected to fellowship under clauses 6 and 31 of the supplemental Charter (Bye-law 31).

(4) That ninety-six applicants be admitted as Associates under clause 5 of the Supplemental Charter (Bye-law 31).

(5) That three hundred and twenty-nine applicants be admitted as associates under clause 9 of the supplemental Charter (Bye-law 36).

A list of those who complete their fellowship or membership before March 20th will appear in *The Accountant* on March 24th.

* placed against a Firm Name signifies that the Firm is not exclusively composed of members of the Institute.

Registration of Articles

The Secretary reported that 110 articles of clerkship were registered during the month of February as compared with 135 in the previous February.

Resignations

Mr Philip Ronald Grey, A.C.A., Wimbledon.
,, Percy Longley, A.C.A., Leeds.
,, Arthur Basil Morgan, A.C.A., Betchworth.
,, James Herbert Newton, A.C.A., Tadworth.
,, Charles Geoffrey Sharp, A.C.A., London.
,, James Harry Windmill, A.C.A., Ealing.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Alfred Hunter Ballard, D.S.C., F.C.A., London.
,, John George Buckley, A.C.A., Portsmouth.
,, Arthur Collins, F.C.A., Bristol.
,, Arthur Ebenezer Slater Cook, F.C.A., Liverpool.
,, Stanley Haldane Linford Greaves, M.B.E., A.C.A., Oldham.
,, Richard Field Helm, F.C.A., Hull.
,, Bernard Hull, A.C.A., Stellenbosch, South Africa.
,, Bertram Ibbetson, A.C.A., Ocala, U.S.A.
,, John Mayer Lees, F.C.A., Manchester.
,, Frederick Newman Matthews, F.C.A., Fareham.
,, Edward Alexander Mercer, A.C.A., Leicester.
,, John Herbert Mitchell, A.C.A., Lytham St Annes.
,, Charles Herbert Penny, A.C.A., Paignton.
,, Peter Reginald Rose Simson Storrey, A.C.A., Long Eaton.
,, Francis Emerson Taylor, A.C.A., Worthing.
,, Arthur Edward Treacher, A.C.A., London.
,, James Robert Watson, O.B.E., A.C.A., Colchester.
,, Eric Walter Wentzell, A.C.A., London.

ROLL OF HONOUR: DEDICATION AND DESCRIPTION

The dedication of the Roll of Honour of members of the Institute and articled clerks who fell in the Second World War, was performed by the Rt. Rev. The Lord Bishop of Stepney at a solemn and impressive service held at St Michael's Church, Cornhill, on Wednesday March 7th.

Attended by the President, Mr H. Garton Ash, O.B.E., M.C., F.C.A., the Vice-President, Mr C. W. Boyce, C.B.E., F.C.A., the chairman of the War Memorial Sub-committee, Mr H. Crewdson Howard, F.C.A., and members of the Council of the Institute, together with some 300 relatives and friends of the fallen, the service was conducted by the Rector, the Reverend Prebendary G. F. Saywell.

The Dedication

The service was prefaced by the singing of the National Anthem, followed by the Twenty-third Psalm. The Bishop, invited by the President to dedicate the Roll of Honour, then offered the following prayers:

Almighty God, the Resurrection and the life of all the faithful, we give Thee thanks for those Chartered Accountants and Articled Clerks who, answering the call of duty, laid down their lives for their friends. Accept, we pray Thee, this memorial of their sacrifice, and enable us by Thy grace to walk worthy of our inheritance; through Jesus Christ our Lord. – Amen.

In the faith of Jesus Christ, and in memory of those members of The Institute of Chartered Accountants in England and Wales and of those Articled Clerks who gave their lives in the Second World War, whose names are here set forth, we dedicate this Roll of Honour to the glory of God; in the name of the Father, and of the Son, and of the Holy Ghost. – Amen.

After the hymn 'Praise, my soul, the King of Heaven', the lesson from the third chapter of the Book of Wisdom, verses 1–6, was read by the President, Mr

H. Garton Ash. Preceded by prayers led by the Rector, the address was given by the Bishop of Stepney. The service concluded with the hymn 'O God, our help in ages past', and the Benediction.

A copy of the Roll of Honour, in booklet form, was given to each of those attending the service and will be sent to relatives unable to be present. Tea was served in the Oak Hall of the Institute after the service.

The Roll of Honour

The Roll of Honour, containing the names of 202 members of the Institute and of 273 articled clerks, who lost their lives in the war of 1939–45, has been beautifully executed in black and red on fine vellum by Mrs Dorothy L. Mahoney of the Royal College of Art. The first page bears the arms of the Institute, illuminated by Mrs Mahoney, and the dedication appears on the second page. Finely tooled in gold in brown leather, the Roll was bound by Mr Sydney M. Cockerell, of Douglas Cockerell & Son; it measures 20 inches across when open, the depth being 13 inches.

The Roll now reposes in a glass-topped case in the Library of the Institute, a page being turned each week.

Inset

The inset included with this issue shows a reproduction in reduced size, of the dedication together with a specimen page of the Roll.

NOTES AND NOTICES

The Chartered Accountants' Benevolent Association

The annual meeting of the board of governors of The Chartered Accountants' Benevolent Association will be held at The Institute of Chartered Accountants, Moorgate Place, London, EC2, at 2.15 p.m. on Thursday, March 29th.

The Society of Accountants in Aberdeen

At a special meeting of the Society of Accountants in Aberdeen held on March 7th, the following four applicants were admitted members of the Society: Mr Norman MacFarlane Brown, Mr Steven Leslie Henderson, Mr Walter Rankine Oliver, Mr Walter Alexander Harman Reid.

The South Eastern Society of Chartered Accountants

STUDENTS' RESIDENTIAL TUITION COURSE

A most enjoyable evening was spent by about seventy students and guests of the South Eastern Society of Chartered Accountants on Thursday, March 8th, when an informal dinner was held in the banqueting hall of the Royal Pavilion, Brighton. This occasion marked the concluding stages of the successful five-day residential tuition course, arranged for Intermediate and Final students, which ended on Friday, March 9th.

Mr O. W. Horne, M.C., F.C.A., President of the Society, took the chair, and the Mayor of Brighton was the guest of honour.

The toast of 'The Institute of Chartered Accountants in England and Wales and the South Eastern Society of Chartered Accountants' was ably proposed by Mr F. A. J. Couldery. In reply, Mr Horne said that there had never been a time when the upholding of ethics and principles had been more needed and he expressed the hope that students would join the district society on qualifying, and attend the meetings, 'perhaps at first as a duty, but later as a pleasure', and thereby lend support to the Council of the Institute which was 'virtually powerless without the full backing of members'.

Mr C. R. P. Goodwin, A.C.A., proposed the toast of 'The Students' Society', which includes Sussex, Bournemouth, Southampton and Portsmouth, and Mr B. G. Jose replied, thanking Mr Goodwin and Mr A. G. J. Horton-Stephens, A.C.A., honorary secretary of the senior society, for their hard work in arranging and organizing the course.

The London Chamber of Commerce

COMMERCIAL EDUCATION SCHOLARSHIPS

The Commercial Education Committee of the London Chamber of Commerce is offering, under a revised scheme, scholarships from the 'Charles R. E. Bell Fund', for men and women anxious to pursue higher commercial studies in either this country or abroad. The monetary value of each scholarship will vary according to the needs of the student and the period of study, or service under articles, to be undertaken, and will not normally exceed £500. Applicants, who must be of British nationality and eighteen years of age or over, are free to propose, for the consideration of the Committee, any subject and method of study they desire.

Further details, and application forms which must be submitted before March 31st, may be obtained from the Principal of the Commercial Education Department, The London Chamber of Commerce (Incorporated), 69 Cannon Street, London, EC4.

The Leeds and District Chartered Accountant Students' Association

Meetings will be held in both Leeds and York during the spring session of lectures of the Leeds and District Chartered Accountant Students' Association.

At the *Hotel Metropole*, Leeds, the programme of lectures is as follows:

March 28th: 'The organization of the Inland Revenue Department', by Mr A. B. F. Cairns, Senior Inspector of Taxes. *April 10th:* 'Contract and agency', by Mr J. L. Gayler, LL.B., B.COM. *April 24th:* 'The financial consequences of rearmament', by Mr C. L. Lawton, M.SC., A.C.A., Barrister-at-Law. *May 9th:* 'Depreciation and valuation of fixed assets', by Mr P. M. Sheard, M.A., A.C.A.

At the *Royal Station Hotel*, York, the following lectures have been arranged:

March 28th: 'The Marshall Aid programme', by Mr J. E. Barmby, B.COM. *April 11th:* A brains trust; and on *April 25th* the lecture is on 'Company formation', and the speaker is Mr B. Overend, LL.B.

Hockey

A hockey match, played at Richmond on March 7th, between members of the Institute and an articled clerks' team, ended in victory by three goals to two for the members – who were two goals behind at half-time. In the second half the members rallied and T. P. Houghton completed a hat-trick when he scored the winning goal in the closing minutes. Although the run of the play pointed to a draw, the better defence of the members, where P. Boobbyer was outstanding, turned the scales. D. G. B. Knight and J. S. Sloan scored the articled clerks' goals, while R. P. Wright, M. R. T. Lowth and D. B. Jacques were prominent.

The Owl

The ideal of personal freedom is probably in greater peril of extinction today than at any time before in the history of mankind. We welcome, therefore, *The Owl*, a new 'quarterly journal of international thought', the aim of which is to help in the struggle to preserve the liberty of the individual. Its pages, which contain contributions and quotations from writers of diverse nationalities, make stimulating and provocative reading. *The Owl* is published by the English League of Youth Ltd, and costs 1*s* 6*d*.

Recent Publication

ECONOMIC CONDITIONS AND BANKING PROBLEMS, a series of lectures delivered at the Third International Banking Summer School, Saltsjoebaden, September 1950. vii+281 pp. 8½×5½. Sw. Cr. 15. The Swedish Banks Association.

The Chartered Accountant Students' Society of London

A mock arbitration will be held in the Oak Hall of the Institute at 5.30 p.m. on Thursday, March 22nd, 1951. The subject will be a commission agreement. The dispute will involve the interpretation of the word 'profits' and will be concerned with the proper treatment of depreciation, profit on exchange, directors' remuneration, a claim for damages, and dilapidations.

Our Weekly Problem

No. 37: HASH

Mrs Sidate had 'flu and Annie was out.

Mr L. U. Sidate and Charles were making a hash of it. They found some odd bits in the larder and also the instructions for the gas cooker. It appeared that you adjusted the oven to a Roasto number and left the pot to cook itself for a (whole) number of minutes. Charles thought that would take too long so he doubled the Roasto number and cooked for the square root of the number of minutes. As the only result was to burn the hash on the outside he tried again. The correct Roasto number multiplied by the correct number of minutes formed the basis. Adjusting the Roasto number to the number of minutes it had already been cooking, he left the pot in the oven for the number of minutes required to produce 'the basis'. The total time in the oven was now five minutes less than the time in the instructions. The hash was not a success.

What was the time in the instructions?

The answer will be published next week.

ANSWER TO NO. 36: DIFFERENT WAYS OF PAYING ACCOUNTS

The accounts which cannot be paid in different ways are: 6*d*, 1*s*, 1*s* 6*d*, 2*s*, 4*s*, 4*s* 6*d*, 5*s*, 5*s* 6*d*, 6*s*, i.e. nine accounts.

OFFICIAL NOTICES

The Institute of Chartered Accountants in England and Wales

Examinations

The next EXAMINATIONS will be held as follows:

Preliminary	May 15th, 16th, 17th and 18th, 1951.
Intermediate	May 22nd, 23rd and 24th, 1951.
Final	May 29th, 30th and 31st, and June 1st, 1951.

The Preliminary examination will be held in London and Manchester. Entry fee £3 3*s* 0*d*.

The Intermediate and Final examinations will be held in London, Birmingham, Leeds, Liverpool and Manchester. The entry fee for the Intermediate examination is £4 4*s* 0*d* and for the Final examination £5 5*s* 0*d*.

The prescribed examination entry form, together with the appropriate fee, must be received at the Institute NOT LATER THAN 35 CLEAR DAYS before the commencement of any examination. Late entries will not be accepted.

Candidates are advised in their own interests to submit their entry forms AS SOON AS POSSIBLE. Entry forms may be obtained from the Secretary of the Institute, Moorgate Place, London, EC2.

Applications are invited for the appointment of a JUNIOR AUDIT ASSISTANT on the Chief Accountant's Internal Audit Staff at Gloucester. Applicants for this appointment should preferably have had some experience in audit work, and/or the Intermediate examination of a recognized accounting body.

The appointment will be subject to the conditions of the National Joint Council (Administrative and Clerical Grades) for the Electricity Supply Industry and the salary will be within Grade 1: £310 to £390 per annum.

Applications giving full details of qualifications, age, experience and present salary, should be forwarded to reach the undersigned within 14 days: The Secretary (Ref. F.W.C.), Midlands Electricity Board, Mucklow Hill, Halesowen, Nr. Birmingham.

East Midlands Gas Board

GROUP ACCOUNTANT – LOUTH

Applications are invited from suitably QUALIFIED ACCOUNTANTS for the above appointment in the Lincolnshire Division. The duties will involve responsibility for the supervision of the accounting work of two adjacent undertakings and the preparation of final accounts.

The salary scale will be Grade 8 of the National Salary Scales (£475/£555), the commencing salary being determined in accordance with the experience and qualifications of the successful candidate.

The successful candidate will be required to pass a medical examination and the appointment will be subject to the provisions of such superannuation scheme as may be adopted by the Board.

Applications stating age, experience, qualifications, present appointment and salary, together with the names of two referees, should be sent to the undersigned, to be received not later than March 20th, 1951.

A. GWYNNE DAVIES,
Secretary.

Beverley House,
University Road,
Leicester.

Southern Gas Board

AREA OFFICE ACCOUNTANT

The Southern Gas Board wish to appoint a QUALIFIED ACCOUNTANT to work at Area Board Headquarters in Southampton. The salary range is £1,000–£1,500 per annum, and the commencing salary will be fixed according to qualifications and experience.

The appointment will be subject to such superannuation regulations as may, in due course, be made, but any existing superannuation rights in the gas industry will be preserved, and the successful applicant may be required to pass a medical examination.

The successful applicant will be responsible to the Chief Accountant for the day-to-day running of that part of the Chief Accountant's office dealing with general accounting and financial matters. These include the preparation of the annual accounts, taxation, rating, inter-unit book-keeping arrangements, and preparation of routine financial statistics, although an intimate knowledge of rating or taxation is not essential. The officer appointed will be expected to work with the minimum of supervision.

The following qualifications are desirable, though not essential, and those who consider themselves specially suited to the post should apply.

(*a*) A qualified Accountant, Cost Accountant or Secretary.
(*b*) Preferably aged 30–40 years.
(*c*) Varied professional and commercial or industrial experience.

Applications should state (1) date of birth, (2) education, (3) professional training, (4) qualifications, (5) experience and positions held, and (6) present salary. Full details should be given, including experience in chronological order (with dates). Each application should be accompanied by a one-page summary (foolscap size) giving the information indicated in items 1–6 above.

Replies, marked 'Application', should be sent within ten days of the appearance of this advertisement to the Chief Accountant, Southern Gas Board, 166 Above Bar, Southampton.

The Accountant

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SALVE

EVERY young man, on the authority of ROBERT LOUIS STEVENSON, believes that he is immortal, a credo which (in the case of aspiring accountants) the exhilaration of passing the Final examination serves to strengthen rather than to diminish. Four hundred and twenty-five such fortunates were made Associate members of The Institute of Chartered Accountants in England and Wales at the Council meeting held on March 7th; this, we believe, is the largest number ever to have been admitted at one Council meeting. Elsewhere in this issue we publish the names of 368 of the new Associates.

It would perhaps be unreasonable to expect that these young Olympians will, at the outset of their careers anyway, respect the profession as much as when they are older for, in truth, like many other excellent things, accountancy is an acquired taste. No one ever joins the profession as if it were a crusade. The object of becoming an accountant is, like that of most occupations, to earn a living and, on the whole, it is a pleasant way of doing so. There are no outstanding triumphs or disasters to be met with, no sudden convulsions of belief or revolutions of technique to be surmounted.

But the profession, like everything else in the world, is changing and the external events of the past thirty years have constituted a challenge to its members. The concentration of commerce into large corporations, the spread of nationalization, the ever-increasing complexity of taxation and the demands of industry on matters of management and efficiency are but four of many factors which have brought new problems of policy and procedure. So far, the challenge has been nobly met and the status of the accountant in the world of affairs is higher than ever before, but reinforcements of fresh minds, all endowed with a sense of mission, must constantly be forthcoming. Entrants to the profession must be fully aware that an accountant's qualification is not merely a stepping stone to a 'good job' but carries with it a lifelong obligation to serve society. Too often in the past in this – as indeed in other professions – some members appear to have exhausted their intellectual curiosity with the effort of passing their examinations and have been content thereafter to go on applying the same principles laboriously acquired in youth instead of constantly revising their ideas in the light of modern practice.

This must never happen again. The youth of a profession, slightly to adapt DISRAELI, are the trustees of posterity. We salute this new and record accession to the ranks, confident in the knowledge that, whatever awaits them in the unsettled future, they will not fail in that trust.

HUMOUR IN STUDY

by L. T. SARDONE, F.C.I.S.

HE who said that economics was the dismal science should possibly have included accountancy and secretaryship. By and large, most practising accountants and secretaries find little entertainment value during the course of duty.

Though the tutorial accountant too, might find tuition and test preparation work in the main perhaps a trifle drab and to a certain extent irksome, there are occasions when a student's efforts cannot fail to bring a wry smile or an outright laugh.

The following 'howlers', collected over a number of years, are set down not with the object of disparaging the profession nor of causing offence to students, but merely to provide a little light relief from the more serious side of the subject. If they are the means of giving some innocent amusement, the writer's efforts will not have been altogether in vain.

Sauce of Entry

Auditing appears to provide a happy hunting ground for the student struggling with unfamiliar terminology. Take the one who said, 'It is the duty of an auditor to check each item in a cash book right to its sauce of entry'.

Then there is the student who, writing on the matter of an unfinished audit due to death, stated that 'the new auditor should obtain the audit programme from the deceased auditor'. Another, writing on the same subject, suggested that 'the audit notebook could be obtained from the dead auditor's relatives'. One wonders what his executors would have to say about this.

An Auditor's Characteristics

Most students appear to think an auditor should possess exceptional characteristics. One stated that an auditor should 'be shrewd and humane in dealing with his fellow men'. Another, 'an auditor must be able to control the feelings of others'. Possibly the latter student might make an excellent psycho-analyst or film director.

So, too, is there much misunderstanding regarding the distinction between accountant and auditor, and some feel the auditor has no rightful place in business. 'Throughout the year, it is the accountant who keeps the books, compiles the final accounts and in general does all the spade work,' wrote a student, 'then the auditor, by conducting an audit of these books, unjustly claims all the glory'!

Just a Nuisance

Another version is that most businesses regard an auditor as 'just a nuisance of a person who comes along to dislocate a smoothly-running organization'. Still another student succinctly summarizes the position thus: 'Auditing is something which is hard to get along without'.

There is no gainsaying the fact that the student who wrote, 'an auditor, before signing, should carefully inspect the proposed client's creditors ledger', in connexion with an auditor's appointment, definitely showed excellent business acumen.

The detection of fraud has always been a favourite with students, although the more enlightened realize that error-finding is the main consideration. 'Gone are the days', wrote a student, 'when the cash-box was the first goal of the auditor'! We might be inclined to agree with the tutor who, on reading this, stated that perhaps the auditor was trying to beat the cashier to it! Similarly, another wrote, 'that though the object of an audit is definitely not the detection of fraud, fraud may be regarded as a by-product of the careful audit'. Careful auditors should do well from by-products alone, according to this.

This article would not be complete without mention of the countless number of times the eminent English judge's words have been repeated by students. Seldom if ever, is a paper in connexion with an auditor's responsibilities and duties examined without one reading, 'an auditor is a watch-dog and not a bloodhound'.

Not Without Permission

On the matter of ethics, one student naïvely writes that 'an auditor must not give away any of his client's secrets or talk of his financial affairs without permission'.

Dealing with internal check, another appears to take a serious view when he writes: 'If slackness in checking is apparent and this is not reported to the proprietor by the auditor, it may corrupt his reputation.'

Partnership law is well to the fore in providing humour. 'When a partner dies or dissolves all his business must be transacted with his representatives on this earth or in bankruptcy', wrote

a student. One might be pardoned for wondering just where bankruptcy might be situated.

'A deceased partner is still liable for partnership debts', another wrote, 'if he participates in the profits.'

In the following case, it is a trifle difficult to realize just how the partnership would be conducted. 'When a partner dies interstate his late wife may take over his share of the business.' Perhaps a way out might be as another suggested: 'To allow the diseased partner's executives to carry on'.

Remainderman

A new angle on partnership was given when a student defined a remainderman as 'that person remaining in a partnership on the death or retirement of the others'.

Balance sheet items also provide much humour for the accountancy coach. 'Floating assets', wrote a keen student, 'are those which a business uses to do the actual work.' This firm's sundry debtors though, might not quite agree with such a definition! In dealing with investment valuation, thoughts of inflation could have been lurking in the mind of the lad who wrote that 'fixed deposits should always be valued at cost'.

This student too, had some feeling for those business men knowing little about accountancy. 'A balance sheet', he said, 'should always be presented in such a way that the directors of a company can understand it.'

One student made things an easy matter for the auditor when he wrote that 'inscribed stock could be verified by an inspection of the stock sheets'.

Astringent Liabilities

Many and varied are the definitions reviewed concerning contingent liabilities, written 'astringent' by more than one. But perhaps the classic is, 'A contingent liability is one which becomes real upon the happening of an event which is unlikely to happen'.

The student who gave a lottery ticket as an example of a contingent asset was either an optimist or the possessor of a keen sense of humour!

Thoughts of conjuring must have confused the student who wrote that, 'during the payment of wages, the pay clerk should obtain notes and coins of different dimensions which he should then place in sealed envelopes'.

This is almost as difficult a process as that where the student wrote: 'If a man gets killed on his job, he can claim workman's compensation.' Assuming this unfortunate gentleman hadn't much in the way of worldly wealth, things may not work out so badly, for another wrote that 'in an estate of under £100 the public trustee may pay the whole to the deceased'.

Ascent to a Contract

Contract law has yielded many howlers of which the following are but a few:

'If a contract is not offered or accepted it is void.'

'A minor on obtaining his majority may either denounce or signify his ascent to a contract.'

'In regard to a contract, an offer is not made until accepted.'

There are many occasions when the tutor reads about a 'bonified' and an 'inseparable' contract, and there is the student who wrote that 'if a man paid £100 to exterminate his mother-in-law, this would not be a legal object'.

Students are prone to copy from the text-book when answering questions on law. One student, instead of answering a set question, did not even go so far as to copy but merely contented himself by writing that the answer to the question could be found on a certain page of the text-book! Students will also copy blindly from the text-book sometimes including errors in the text. Students have been known to commence their answer when copying: 'As has been explained above . . .'

E. & O.E.

Some unconscious humour comes in the way of the student who wrote 'E. & O.E.' at the foot of each page of his exercise, and the one who, on submitting answers to an accountancy pre-examination test paper, facetiously though truthfully wrote: 'Any resemblance to the model answer is purely coincidental.'

Unintentional transpositions of letters are very common in students' exercises, and 'rough cash dairy' and 'trail balance' are legion.

The students who gave their addresses as Reception House and Botanic Gardens were bent on leaving no misunderstanding when they wrote 'Place of employment' after such.

The foregoing are a mere general representation of the howlers met with from time to time, and serve to indicate that they do occur. That the student is always corrected and put on the right track goes without saying; but whilst there are students there will be howlers for the tutor to rectify. At the same time, they provide him with a little diversion and serve to lighten his labours.

THE PROBLEM OF FAIR WAGES

by A. H. BOULTON, LL.B., A.C.I.S.

Our present ideas of the relative status of different employments are largely the result of supply and demand in the period of freely contractual employment. In the author's opinion that period is ending, and the coming of nation-wide wage negotiations is one of many indications of a search for economic justice beyond the interplay of temporary factors. The popularity of job rating and personal evaluation schemes is another. Though they are sincere efforts to find justice, however, they suffer from the limitation that one cannot value qualitative differences quantitatively.

THE fact of wages and other payments for personal service as a dominant ingredient in the economic situation belongs essentially to the last century of our history. Sir Henry Maine's generalization about social change shows why this should be so. The legal changes of thousands of years simplified themselves in his mind to a transition from status to contract, that is to say, from a structure of society in which each individual's part is fixed by the accident of birth and the pressure of unchangeable custom to one in which his part is chosen as a matter of personal will. In the nature of things, the problem of wages belongs to this latter phase.

The practice of paying wages became general only as feudalism decayed, and has grown gradually until the wage-earner or salaried employee has become the typical worker of the twentieth century.

For a long time wages were pitiably small. From 1400 onward they rose at a steadily increasing pace, but prices were rising too, and there was no substantial benefit to the wage-earner till the nineteenth century. Though, between 1450 and 1750, money wages increased sixfold their value in terms of staple foodstuffs increased by only about 50 per cent.

It is obvious to us that the cause of this gradual change was what we would call inflation, caused, however, not only by the minting of token coinage but by the increasing availability of the precious metals themselves. The contemporary ruling class, however, did not understand this, and to it the rise in wages seemed wrong. It was only when the classical economists began to gain their insights into the working of production and exchange that labour was perceived to be itself a commodity in exchange and its price the effect of a balance between supply and demand. The doctrine of *laisser-faire* coincided with the enormous accession of wealth which resulted from the opening of world trade and the use of mechanical power, and together they created the society of the nineteenth century. Although to many minds today – especially of the older generation – that society possesses an aura of normality and security, it was yet essentially transient and as truly an age of change as our own. For the world is always in transition, and that a stable and unchanging Utopia lies just ahead is a perennial illusion.

Development of Differentials

It was during the nineteenth century, however, with its *laisser-faire* economics, its bitter conflicts and its high idealism, that the hierarchy of salary and wage standards we have inherited evolved upon the basis of an unrestricted interplay of supply and demand. The skilled man's wages were higher than the unskilled because he was less easy to come by as an employee; the clerk asserted a precarious gentility over the artisan because the measure of literacy he required placed him in an even more limited class.

Through this period the dissatisfied employee traditionally asked for a rise, which was granted or refused according to the judgment of the employer as to his worth in the market where other employers might compete for his services. By the turn of the century the wages of many workers were becoming the subject of tense bargaining in those industries where the trade union movement had gained strength. Everywhere there was complete legal freedom, and if the unorganized employee had the worst of the bargain the reason lay not in any legal disability but in an economic weakness which gained scant sympathy.

Now it is obvious that this interplay of supply and demand continues to exercise a fundamental control over the fixing of personal remunerations. It is most evident in the extreme case, that of the person possessing an ability or popularity literally unique, like Menuhin or Danny Kaye. But the principle is also seen in humbler fields. One result of war disruption was a famine of shorthand-typists. For a period the advertisement columns offered swollen wages and all kinds of extra

financial inducements to attract applicants. Since it does not take long to train a typist the shortage and the scarcity value soon passed, supply and demand finding balance at more reasonable figures. There have been other times, however. In the bad days of depression between the wars when demand for services failed, salaries and wages stabilized at low levels.

The Contemporary Change

This may be obvious, but what is not so obvious is that we are living through social changes which are continuously destroying the *laisser-faire* pattern in which these forces have acted and the traditions have been created. Maine's generalization is no longer true. We are not moving from status to contract, but from contract to a status, determined not as before by inarticulate custom, but by the pressures exerted by the modern forms of state. Freedom to contract is limited in many directions and even where it exists legally it is sometimes illusory. A large sector of industry is controlled by monopolies.

The individual, to an increasing degree, leaves any bargaining regarding his wage or salary to a trade union or professional association, and the employer looks to nationally negotiated agreements. In the negotiation of such agreements the principles of free contract are no longer supreme. National wage negotiations must of necessity rise above the chaffering of the market which was good enough in a competitive world of freely contracting individuals. That they do so is due to a recognition of the unity of the community whose corporate health would be so undermined by irresponsible action that their gains would be illusory. Such negotiations must rest upon the concept of fairness and justice in the matter of wages, rather than on bargaining power.

The same movement away from free bargaining toward an abstract justice is seen in the reference of wage disputes to the National Arbitration Tribunal, whose task is surely one of the most intangible and thankless today. Clothed in a quasi-judicial authority it has to seek a justice that has never been formulated. All our traditions about the proper levels of remuneration derive from the relative differentials which emerged from the interplay of supply and demand in an epoch that has passed or is passing. Fair wages have never been defined except by reference to customary standards. Men are not equal, and it is not justice to treat unequals equally. But when the inequalities between man and man are *qualitative*, how can they be expressed *quantitatively* in wage or salary?

Natural Justice

How deeply the idea of assessing a true value for the services of the individual has rooted itself is shown by the popularity of job rating and personal evaluation schemes during recent years. They represent the conviction that for each worker there is a true value, which is the product of the job he does and his efficiency in the doing, and that he *ought* to be paid in accordance with that value. They are sincere efforts to find a kind of natural justice in economic affairs, and it is no accident that they should evolve in a period in which legal theorists are once again thinking in terms of natural justice and human rights after a long period of legal empiricism. Their problem is that they rest upon the answers to the questions 'why have differentials?' and 'how great ought differentials to be?' Those answers are not easy to find.

Most of us revolt from the idea of a form of society where material wealth is shared with unimaginative equality. We know the equality would not last, for the prudent would save and the imprudent would want as now. There would be no incentive to excellence, no reward for diligence. Many of the more gracious things in life would be submerged in a barrack-like monotony. I believe that if we trace out our thinking, faithfully and honestly, purging it of immediate self-interest and the rationalizing of our own personal prejudices, we should find that theoretical justification of wage differentials will crystalize in the following propositions:

1. There should be a reward for diligence and the service which renders something more than the minimum required.
2. There should be a reward for the taking of trouble and time to equip oneself for the tasks which require training or the acquisition of special skills, mental or physical.
3. There should be recompense for the acceptance of danger or discomfort, in the performance of uncongenial tasks. Upon these we superimpose the hierarchical idea – which has been with us for too long to be shed without a more fundamental social upheaval than has happened anywhere yet – that by means of the higher remuneration the person who gives the orders should be lifted above the one who receives them.

The Problem of Differentials

But how great should the differentials be? At the moment they are fixed partly by the still present pressures of supply and demand, and partly by the inherited traditions created by past supply and demand.

Any answer given by economics must be

empirical. They should be great enough to evoke the best service and therefore the ultimate well-being of the community, but how great that must be can be found only through experiment. Taxation policies, coupled with social services have the effect of limiting their real, as distinct from their arithmetical, magnitude. Whether they have become too narrow or are still too wide can only be answered by the future historian, and his judgment will still be fallible.

Thus it becomes possible to define what systems of job grading and evaluation can and cannot do. They can equate with one another tasks which require corresponding degrees of mental ability or technical skill. They can describe the extent to which a task involves judgment and responsibility. By this means they can sometimes demonstrate, as unjustified, those differentials between different occupations which have been created or maintained by prejudice, by purely accidental circumstances, by restrictive practices, by custom and tradition. They can show that although in the present environment such differentials may have to be maintained they have no underlying justification and must eventually disappear. They cannot say how great differentials should be. Given a norm or average they can relate jobs or employees to it by reference to skill, responsibility and judgment, but they can only place values upon the various levels of skill or responsibility by reference to other standards already established through a competitive pattern of supply and demand.

Social Evolution

Behind all these problems lie the moral and philosophical principles to which, with devastating reality, our insistent 'why?' ever forces us. Grant that assiduously acquired skills should reap a reward. But what of inborn abilities, the inequalities inherited from past forbears, which came to their possessors as gifts? Ought the motto to apply 'from each according to his ability, to each according to his need'? The contrary idea, that strength and cleverness justify – as they certainly enable – their possessors in controlling a larger share of the good things of life than the weak and simple, is one that we accept into our thinking uncritically (often because it suits us) but which is, to say the least, ethically unsatisfying. Is there a compromise? The humanizing of industrial relationships is showing that the spirit of *noblesse oblige* is not dead. Is this the answer? Is it the full answer?

Our attempts to reach economic justice are never likely to satisfy us, but they help us to view the social scene more as a field of co-operation and less as one of competition. They compel us to face the reality of the contribution made by each worker to the common weal and to think out clearly the fair and reasonable recompense it deserves. They prompt us to challenge glaring inequalities. And if they bring us to see that we still live in time of a social change to whose direction our own thought may contribute, we shall be none the worse for the awakening.

WEEKLY NOTES

Accountants from Overseas: Festival of Britain

The Editor extends a cordial invitation to accountants from overseas, who are visiting this country for the Festival of Britain, to call on him at the editorial offices, 4 Drapers' Gardens, Throgmorton Avenue, London, EC2. He would be delighted to meet visitors and to have an opportunity of discussing matters of interest to the profession.

Candidates for the Institute's Examinations

Candidates for the May 1951 examinations of the Institute who live outside London and who wish to sit for the examinations in London, are advised to arrange their hotel accommodation as soon as possible because of the likely shortage of accommodation caused by visitors to the Festival of Britain. Offering this advice in a letter published in our correspondence columns elsewhere in this issue, the Secretary of the Institute also reminds candidates that travelling conditions in London will probably be difficult during the Festival.

In their own interests, candidates are advised to submit their forms of application to sit for examinations at least two months before the date of the examination. Before every examination, the secretary says, he has to reject a number of applications because they do not comply with the rule that the latest date for the receipt of entries is 35 days before the examination. It is a great pity that a young man should spend a year or more preparing for an examination and then be unable to sit for it because of his omission to submit his entry form at the proper time.

Gas Industry's First Report

Combined reports and accounts for the Gas Council and the Gas Boards were issued last week. Since they

cover an eleven-months period which ended as long ago as March 31st, 1950, their interest is mainly historical. However, being the first results to be published since the gas industry was nationalized, they are worthy of record even after the lapse of twelve months.

In the period covered, the industry made a small profit after making provision for the central guarantee fund, which is a statutory obligation.

Gross revenue for the industry was £192 million. Of this, sales of gas accounted for £111 million, and by-products for £52 million. The rest came from rentals, sale of appliances and so on. The overall small surplus is accounted for by the scale of operations under the last heading. The gas boards did in fact make a small loss of £10½ million on their gas sales alone. This deficit in turn obscures rather uneven results as between one area and another. It is noticeable that those areas serving in part regions of comparatively thin density of population achieved poorer results than the others. The small overall surplus of £2,663 was a true net surplus but it is noticeable that the provision for depreciation has not been generous. At £8·9 million depreciation represents only some 4½ per cent on book values. These values are for equipment installed for a large part before the war, and in consequence, historical costs must in many cases be far below replacement costs.

There has been some progress with rationalization of the industry and also with co-ordination of wage scales and types of equipment. The results suggest that steady if unspectacular progress is being made in reducing the number of small inefficient units and also that the depreciation policy of the time has given the consumer his gas at a price which will not be maintained over a long period irrespective of what may happen to the costs of the raw materials of the industry.

Order on Monopolies

The Government has decided not to wait and prepare general legislation on monopolies following the recent report of the Monopolies Commission on the manufacture of dental equipment. A draft Order was laid before Parliament last week. Subject to the affirmative resolution of both Houses it will take effect 28 days later.

The Order broadly follows certain recommendations of the Commission. It prohibits collective measures within the industry to lay down conditions and prices of sale. It does not limit the activities of individual firms to attempt to enforce such conditions nor does it make infringement of the Order a criminal offence. It will, however, enable civil proceedings to be instituted.

It is understood that the trade association concerned is proceeding independently of the order to amend its rules. The Order should not therefore be aimed at the dental trade.

This Order will, in consequence, be something of a bell-wether. The Government will propose action but Parliament will be able to give its views before the Order can become effective – a matter of some importance since the Government know that in this matter they are dealing with a controversial issue which cuts across party lines. A piece meal approach also has the advantage that some idea can be formed of the effect of Parliamentary intervention in these matters – issues which bristle with difficulties of both principle and administration.

Letterpress Team Report

According to the report, issued on Monday last, of the team representing the letterpress printing industry which visited the United States this time last year under the auspices of the Anglo-American Council on Productivity, company taxation (which is approximately 40 per cent as against 55 per cent in Great Britain) is a major deterrent against providing adequate funds from within the business for development. Although on account of shift working the capital requirements of American concerns are relatively lower than those in this country, no system of initial allowances on the cost of new plant and building, such as we have, is in operation. Also, increases in the value of shares resulting from the ploughing back of profits into the business, despite the fact that they are capital gains, are taxable.

Other interesting points noted by the team are that in some cases the amount of office machinery appears to be in excess of requirements; that the costing methods in use are for the most part job costing schemes similar to the costing system of the British Federation of Master Printers; that the recording of starting and stopping times on each operation is much more accurately carried out in America; and that wages are nearly always paid by cheque, facilities for encashing them being provided by the company or by an outside financial firm which sends staff and cash to the factory and charges a small commission. The reason for the extensive use of cheques is that it eliminates the risk involved in the transit of large sums of cash from the bank. There is no poundage on American pay cheques.

Copies of the report, price 2*s* 6*d* post free, may be obtained from the British Federation of Master Printers, 11 Bedford Row, WC1, and the Anglo-American Council on Productivity, 21 Tothill Street, SW1.

Egypt's Sterling Balances

An agreement has been reached in principle with the Egyptian Government about the release of Egypt's sterling balances over a period of years. This country is to release Egypt's sterling, to an amount of £150 million, over 10 to 13½ years. This will leave about £80 million which, to judge from the official announcement last week, it is hoped that Egypt will leave in this country as a working balance. Britain has agreed to facilitate the purchase of oil for most of the money. This will be at the rate of up to £11 million a year for ten years.

FINANCE AND COMMERCE

Caterpillar Tractor

As we indicated last week, this week's reprint gives the accounts of the Caterpillar Tractor Company of America, interesting as an example of American practice but particularly so because at the beginning of 1947 the 'last in, first out' system of stock valuation was adopted. This year, the system has been accepted by the taxation authorities and the consequent adjustments are described in the lengthy series of notes on the accounts. It may add to the interest if we adhere as far as possible to the actual wording employed.

The company points out that 'last in, first out' is a generally accepted accounting method designed to permit the allocation of incurred costs in such a manner as to relate them to revenues more nearly on the same price level basis than would the 'first in, first out' previously in operation. The general effect of the new system, it is stated, is to exclude from reported profits the major portion of increases in inventory costs since these increases are deemed to be merely the result of rising cost levels. On January 1st, 1947, therefore, the major portion of the inventories was stated at costs levels then prevailing.

As readers will recall from previous reference to the company, however, 'last in, first out' was not adopted at that time for federal income-tax purposes. Taxes payable for 1947, 1948 and 1949 were computed on profits determined on the 'first in, first out' basis and the excess of income taxes paid on that basis over the income taxes computed on reported profits was carried forward as a deferred charge in the statement of financial position.

New Tax Method

It was intended, in carrying forward the tax difference as a deferred charge, to carry out a reverse adjustment should rising prices be followed by a fall. Effective January 1st, 1950, however, the 'last in, first out' method of inventory accounting was with minor exceptions also adopted for federal income-tax purposes. Since a requirement of such adoption was that the same inventory accounting be used for general reporting purposes as for federal income-tax purposes, it was necessary to restate the inventory at January 1st, 1950, to the basis used at that date for tax purposes (approximate cost levels at January 1st, 1950) and eliminate the deferred federal income-tax carried during 1947, 1948 and 1949. As of January 1st, 1950, inventory was therefore increased $10,177,371 and deferred charges decreased $3,867,401. The net adjustment of $6,309,970 increased 'profit employed in the business' in the result of operations statement.

The company further points out that in view of the

CATERPILLAR TRACTOR CO (a California Corporation)

Statement 1

Results of Operations, Year 1950

	$	$
Sales		337,285,327
Costs:		
Inventories brought forward from last year (note 1)	64,193,505	
Materials, supplies, services purchased, etc.	187,669,225	
Wages, salaries, company contributions for group insurance, pension plan, unemployment insurance and old age benefits ..	90,000,855	
Portion of original cost of buildings, machinery and equipment allocated to operations (depreciation)..	5,526,554	
Interest on borrowed funds	409,692	
Federal income and excess profits taxes ..	33,200,000	
	$380,999,831	
Deduct Inventories carried forward to next year (note 1)	72,978,789	
Costs allocated to year		308,021,042
Profit for year		$29,264,285
Add:		
Profit employed in the business at beginning of year	49,570,777	
Adjustment (net) of inventory at January 1st, 1950, to cost basis adopted for federal income-tax purposes (note 1) ..	6,309,970	
		55,880,747
		$85,145,032
Deduct Dividends paid in cash during year:		
Preferred stock, $4.20 per share ..	1,050,000	
Common stock, $2.25 per share ..	8,470,080	
		9,520,080
Profit employed in the business at end of year		$75,624,952

Statement 2

Financial Position, December 31st, 1950

		$	$
Current assets:			
Stated on basis of realizable values:			
Cash		6,895,581	
United States government securities ..		2,100,006	
Receivable from customers and others ..		34,111,251	
		$43,106,838	
Stated principally on basis of approximate cost at January 1st, 1950 (note 1):			
Inventories		72,978,789	
			116,085,627
Deduct Current liabilities:			
Payable to material suppliers and others ..		29,418,270	
Federal income and excess profits taxes	$33,072,085		
Less United States government securities	33,072,085		
		—	
			29,418,270
Net current assets (statement 4)			86,667,357
Prepaid insurance, etc.: cost allocable to future operations ..			204,871
Buildings, machinery and equipment: balance of original cost allocable to future operations (statement 6)			66,024,210
Land, at original cost			3,160,852
Investment in and advances to British subsidiary			302,461
Patents, trade marks and other intangibles, at nominal amount			1
			156,359,752
Deduct Ten-year 2 per cent debentures due 1956 ..			18,090,000
Net assets			$138,269,752
Ownership equities (statement 7):			
Preferred stock: 4·20 per cent cumulative: 250,000 shares of $100 par value			$25,000,000
Common stock			
3,764,480 shares of $10 par value		$37,644,800	
Profit employed in the business		75,624,952	
			113,269,752
			$138,269,752

significance now given by the Excess Profits Tax Act of 1950 to taxable earnings for the base period 1946 through 1949, these adjustments have been progressively applied to the years 1947, 1948 and 1949 on statements 3 through 7 and have the effect of stating the profits and inventories for those years on the 'first in, first out' basis which was used for federal income-tax purposes. After describing the effect of these changes in actual figures, the company points out that inventories are now stated on the 'last in, first out' basis adopted as of January 1st, 1950, and are therefore carried substantially at the cost levels then prevailing. We plan to reprint 'Statements 3 through 7' next week.

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The Institute Examinations and the Festival of Britain

SIR, – I have been asked by the Union of Chartered Accountant Students' Societies to request you kindly to give publicity to the shortage of hotel accommodation in London which is likely to exist during the Festival of Britain. The Institute examinations commence on May 15th and continue until June 1st, 1951. The Preliminary examination is held in London and Manchester and the Intermediate and Final examinations in Birmingham, Leeds, Liverpool, London and Manchester. Candidates who wish to be examined in London and who do not live near London would be well advised to take steps now to make sure of their accommodation for the period of the examinations. Candidates living in some parts of England may prefer on this occasion to consider sitting at a provincial centre. All candidates should bear in mind that travelling conditions in London may be difficult during the Festival.

I should like to take this opportunity of reminding all examination candidates that they should, in their own interests, submit their forms of application to sit for examinations at least two months before the date of the examination. The latest date for the receipt of entries is thirty-five days before the examination and no entry received thereafter can be accepted. Before every examination I have to reject a number of applications because compliance has not been made with this rule.

I shall be obliged if every principal reading this letter will see that it is brought to the notice of every clerk in his office who may be sitting for the Institute examinations.

Yours faithfully,

ALAN S. MACIVER,

Secretary,

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

London, EC2.

The Tax Inspectorate

SIR, – The leading article on the subject of Inland Revenue organization in your issue of March 17th expresses a view which is increasingly held by members of the public that there is room for improvement in the status of the department of the Chief Inspector of Taxes. It has been reported in the Press that the Association of H.M. Inspectors of Taxes is seriously dissatisfied with reorganizing proposals of H.M. Treasury concerning both pay and conditions of service and that it will welcome an independent inquiry.

Your readers, whether practising accountants or engaged in commerce and industry, are conscious of the nature of the duties discharged by H.M. Inspectors of Taxes when highly complicated legislation had to be carried into practical operation during the late war.

Recent Acts of Parliament have created great changes in taxation practice and procedure, which have functioned relatively smoothly despite a considerable expansion in work, due largely to the ability and patient efforts of a comparatively small number of men. Their number has fallen from a pre-war strength of 1,800 to 1,600 and the inspectorate is seriously undermanned. During 1950 no fewer than 66 Inspectors dropped out through death or retirement, and 18 in the first two months of this year. New entrants are scarce; university graduates and other suitable candidates prefer other branches of the public service offering better pay, conditions and prospects of promotion.

The Chorley Committee recognized the entitlement of administrative civil servants to increased remuneration but for national reasons these adjustments were deferred until recently; meanwhile the purchasing value of the £1 had fallen to an extent that the recommendations are obsolete.

H.M. Inspectors are a mobile body; they are required to move to different areas from time to time entailing housing, schooling, furnishing and daily transport problems involving additional compulsory expense and they are the pivot upon which the impartial administration of taxation assessment depends.

Is not the time fully ripe to secure that the remuneration of the inspectorate is now placed on a footing which will remove present grievances and attract new entrants of the necessary calibre to maintain the fundamentally efficient service which the public interest requires?

Yours faithfully,

Birmingham, 3. R. W. RUTLEDGE.

Christmas Presents in Kind to Employees

SIR, – We were interested to read in *The Accountant* of January 20th, amongst the extra-statutory concessions of the Inland Revenue in operation at December 31st, 1949, No. 13, referring to Christmas presents in kind given to employees. We have been in communication with our local Inspector of Taxes on this point, and we understand from him that the treatment which has been extended to the presentation of savings certificates or savings stamps and deposits in the Post Office or Trustee Savings Bank in lieu of presents in kind should be qualified. The qualification is that this must have been done in the past, and by that we take it to mean must have arisen during the war period. We understand that if a firm wish to present savings certificates to their employees as Christmas presents, where this has not been the practice in the past, they will find that this would be treated as taxable remuneration.

We shall be glad to know if any of your readers hold a different opinion.

Yours faithfully,
B. B.

Directors' Fees: Tax Overpayment

SIR, – Mr L. Reynolds in his reply appearing in your issue of March 3rd, states that the only case in which an overpayment of tax can persist is where two years' fees have been paid in one year and all subsequent years show a payment of fees. This has occurred in my case, and the fact that the directors are paid in arrear means an underpayment is always shown on the assessment, although a state of overpayment exists when tax is deducted under P.A.Y.E.

A repayment claim can never be made until a tax overpayment is shown on the assessment which will not come about until fees are paid as and when earned, a course which it is not desired to adopt. The only alternative would appear to be some form of relief made to each director and an alteration of code number would seem to be one of the obvious ways of bringing this about.

Yours faithfully,
Horley, Surrey. L. J. SCUTT.

Exempt Private Company: Debenture Holding

SIR, – Our attention has been drawn to a case of an exempt private company, which has borrowed money on debenture from another exempt private company.

On turning to the Seventh Schedule, under the basic conditions applicable to an exempt private company, paragraph 1 (*a*) states that no body corporate must be the holder of the shares or debentures of the company whose exemption is in question. Paragraph 6 (1) states that the first of the basic conditions shall be subject to exception for shares held by another private company which is itself an exempt private company (subject to certain provisos which do not apply in the case we have in mind).

It will be observed that the exemption in paragraph 6 (1) does not refer to debentures, as distinct from shares. One would feel that if exception be made in respect of shares, the more so would exception be applied in the case of debentures. On the face of it, it would appear that there has been an oversight here on the part of the draftsman. In any case we feel that there is need for an amendment to the Act to cover exemption in the circumstances which we have indicated. We should, however, be interested to have the comments of any of your readers on the matter.

Yours faithfully,
RICHARD SHERATON & CO.
Brighton, 1.

Articled Clerk's Premium Returned as Salary: Income Tax

SIR, – The answer to 'Articled Clerk's' inquiry published in your issue of March 10th is that it all depends on the wording of his articles.

If the articles state that in consideration of the premium paid a salary will be paid, then the payment must be treated as a salary and is liable to income-tax.

If, however, the articles state that the premium paid shall be refunded by way of instalments periodically throughout the term of the articles, then such payments can be treated as a refund of the original premium and will not be liable to income-tax.

It would appear, however, from the wording of 'Articled Clerk's' letter that the return of premium is more likely to be in the nature of a salary, which will be subject to income-tax.

Yours faithfully,
Harpenden, Herts. R. C. W. JERVOIS.

Medical Practices: Partnership

SIR, – Your correspondent 'Arturos' (March 3rd, 1951) has encountered one of the common problems of medical partnerships but I do not think he will find a 'fair and acknowledged' basis of division of the 1950–51 assessment.

I have found the solution in several cases to be a compromise between the legal liabilities of partners and what might be termed their equitable obligations.

It is suggested that the 'acknowledged' division is A., 6/20ths £1,830; B., 6/20ths £1,830; C., 5/20ths £1,525; D., 3/20ths £915. It is not possible to introduce D.'s expenses into an already agreed partnership assessment.

It is clear that D. will object to this division as being unjust, and will advance a number of excellent (so it would seem) reasons. These will comprise: (*a*) He was not a partner during the time these profits were earned; (*b*) he did not receive the money; (*c*) it is unjust, and must therefore be wrong.

'Arturos' should draw on his knowledge of tax principles and law to deal with all these objections and take a firm stand on the legal position, explaining that the share borne by D. need not necessarily be unjust, and has been measured by the only available standards under the circumstances. It should be explained to D. that, though based on accounts to December 31st, 1949, the share of the 1950–51

assessment is intended to represent his current earnings for 1950–51. If these should exceed £915 net, then D. has no cause for complaint. Should they fall very much below £915 net, 'Arturos' should approach the original partners (who are paying less tax after D.'s admission than they would otherwise have done) and suggest that they share the difference between the tax on D.'s £915 and estimated tax on his actual current income for 1950–51. The writer has found in practice that this compromise has smoothed over the difficulties inherent in this type of problem, and has given all partners an increased confidence in the ability of the accountant to achieve a fair distribution of any tax liabilities which may fall on the partnership.

Yours faithfully,
SCOT.

SIR, – In reply to 'Arturos'' letter in your issue dated March 3rd, the practice adopted in my principal's office in similar cases for many years past is for the incoming partner's share of the assessment to be based upon his profit-sharing ratio for that year, adjustment being made between the old partners according to the changes in their own profit-sharing ratios.

In the case quoted the effect of this on the assessment to be raised for the year 1950–51 would be as in the following table:

	Total	*A.*	*B.*	*C.*	*D.*
	£	£ 3/8ths	£ 3/8ths	£ 1/4th	£
Gross fees	8,000	3,000	3,000	2,000	–
Less Individual expenses	1,900	900	600	400	–
	6,100	2,100	2,400	1,600	–
Adjustment for D.'s 3/20th share as from April 5th, 1950 (new ratios 6.6.5.3)	–	−457½ (3/40ths)	−457½ (3/40ths)	–	+915 (3/20ths)
Amended assessment ...	£6.100	£1,642½ (6/20ths)	£1,942½ (6/20ths)	£1,600 (5/20ths)	£915 (3/20ths)

A similar adjustment would be made in the case of any partner retiring and notice not being given under Section 32, Finance Act, 1926, requiring the old partnership to be treated as having been discontinued and a new business set up as from the date of change.

Yours faithfully,
FINAL STUDENT.

Hospital Costing in Scotland

SIR, – *The Accountant* of February 17th last contained an article entitled 'Hospital costing in Scotland' in which the author of it made no attempt to deal with the subject as its title led the reader to expect. In point of fact, the article does little more than criticize what is being done in this connexion in Scotland and its general inference of the inadequacy of the Scottish system – if indeed the author admits that there is any worth-while system at all, which I don't think he does – is so misleading that I must attempt to put the matter in the better light which it deserves.

The author opens his article with the statement that he has on several occasions emphasized the need for a system of accounting and costs which will enable hospital authorities to secure adequate control over their expenditure and will ensure the making of more reliable comparisons between hospitals than is possible under existing methods, and concludes by telling us that the solution of the problem will be found in the introduction of a system of accounts showing expenditure department by department, allied to a system of budgetary control. We in Scotland have been fully aware of the problem since the inception of the National Health Service and have been actively engaged in its solution so that so far as we are concerned the author is merely pushing at an open door and might with some justice and greater point have embodied these remarks in an article about the lack of hospital costing in England and Wales.

Control of hospital expenditure after nationalization was not a problem that could be solved in a day. Up till July 5th, 1948, the voluntary hospitals had done little or nothing effectively about it, but as hospitals have since been existing on public funds it is right that there should be much more stress laid on accountability. The first and perhaps the most important link in the chain of financial control was the introduction of a sound financial system and the control of hospital stores. The author may not be aware of the position at July 5th, 1948, in Scotland which perhaps was in no way different from England and Wales, but I can assure him that a number of voluntary hospitals had no financial system worthy of the name and even some quite large hospitals had no stores system at all. These defects had to be put right, but this took time. Nevertheless, we introduced as a beginning to financial control – but only as a beginning – a system of arriving at a unit cost of maintaining a patient in hospital, based on our financial system, and we have been using this as a means of comparison of running costs for hospitals of like type since and as a yard-stick in assessing the budgets of boards of management. Concurrently with the use of this system we have been undertaking the further development necessary to arrive at full departmental costing. This has involved some modification of our financial system by the adoption of a 'priced issue' basis for all hospital stores, and

the financial control of stores is being made complete by linking the priced stores records with the financial records by means of stock control accounts. By the adoption of contracts for stores and services on a regional basis as against the earlier single hospital basis price differences between hospital and hospital are being flattened out. These steps were all pre-requisites to the full operation of any system of reliable functional or departmental costing. If, as the writer says, he has been emphasizing the need for a costing system since the introduction of the Service, and if by that he infers that it should have arrived ere now, he has been unduly optimistic, as a little closer contact with the problem would soon have convinced him. It is easy for the uninformed but nevertheless impatient critic to deplore the non-arrival of a complete costing system in the time which he would himself set for it as we who are steadily working towards that goal can tell him. Nevertheless, departmental costing will be in operation in Scotland in the near future in the large multi-purpose hospitals – but how far it should be extended to the smaller hospitals is a matter which will require further consideration.

It is difficult to deal adequately in what must be a short letter with the criticism levelled against our costing system at its present stage, but in regard to the report made on it by the Costing Sub-Committee appointed by the Committee of Regional Board Treasurers – which sub-committee it should have been stated in the article consisted entirely of English regional treasurers – let me say that we have not found our system difficult of application – quite the reverse – and it has been in operation for the best part of three years. Again, the statement that proof of its accuracy was extremely difficult to obtain and that although it appears scientific it is in fact quite arbitrary is equally ill-founded. The working of the system is based on experiments with specific hospital figures for a long period prior to the inception of the National Health Service. In this connexion the author's criticism that neither patient-day nor bed-day costs nor, indeed, a combination of them, serve any greater purpose than the unit of cost per occupied bed now in use in England and Wales is one which he should be called on to substantiate and I ask him to produce concrete evidence of this.

Finally, our method is not as he says an attempt to assess the effect on cost per patient-week of variations in bed occupancy; it is rather an attempt to reduce, if not entirely to eradicate, the impact of the non-occupancy factor on unit costs. Without some such 'levelling-out' of this factor it will never be possible to produce comparative costs for hospitals which could form the basis of selective cost investigation.

Yours faithfully,

W. E. McCRACKEN,
Treasurer,
Eastern Regional Hospital
Board (Scotland)

Broughty Ferry.

[We welcome this letter, and like our correspondent we find it difficult to deal adequately with its contents in a reply of reasonable length. We hope the following comments cover the main points raised. It was never intended that the 'article' he criticizes should 'deal' with the subject; it was obviously a leading article and not an article in the sense that the whole subject of hospital costing in Scotland was to be discussed. Our correspondent is correct in inferring that we feel there is at present no worth-while system of hospital costing in operation. There are a number of systems in use but as yet they are all confined to the reduction of expenditure to a cost per bed. We agree that the accounts of a number of hospitals were deficient in many respects on July 5th, 1948, in England and Wales as well as in Scotland, but we fail to see the connexion between this fact and the introduction of a method which provides nothing more than a refined cost per bed. The defects of this unit of cost render it practically useless as a basis for comparisons between hospitals. Experience has proved this time and time again, and many hospital authorities in England and Wales are as actively engaged as those in Scotland in endeavouring to find a method of hospital accounting which will provide alternative costs which do not possess the defects of the cost per bed. Our correspondent says that modification of his financial system and the adoption of other methods are taking place as pre-requisites to the full operation of any system of *reliable* functional or departmental costing. We can only infer from this that the figures provided by the present system are not reliable! This was the criticism made against the method by the Costing Sub-Committee of regional board treasurers. We agree that this committee consisted entirely of English regional board treasurers, but we would point out that each member is a qualified and experienced accountant and their considered opinions cannot therefore be lightly turned aside. Certain limitations of the Scottish method were actually stated in the memorandum submitted to the conference. If these limitations do in fact exist, and our correspondent does not deny them, then the opinion of the Committee of the Regional Board Treasurers must be accepted. Our correspondent asks us to produce concrete evidence to substantiate our statement that neither patient-day etc. costs serve no greater purpose than the unit of cost per occupied bed now in use in England and Wales. The criticisms of the committee provide the best answer to this request. If our correspondent can produce evidence to the contrary we shall be happy to receive it.

We still maintain that the method is only an experiment, albeit a most interesting one, and we shall watch its development very closely. It is producing more figures than the English method but we feel sure that our correspondent would not argue that it is necessarily the better method because of this. – Editor.]

REVIEWS

Underhill's Law of Trusts and Trustees (Tenth Edition) by C. Montgomery White, K.C., and M. M. Wells, Barrister-at-Law

(Butterworth & Co (Publishers) Ltd, London. £3 3*s* net)

A growing tendency among testators and settlors to appoint their accountants as trustees has brought accountants face to face with the hazards and complexities of trusteeship in a practical way. Moreover, as experts on taxation, accountants are often asked to advise on the taxation repercussions of provisions in wills and settlements, which advice involves a knowledge of trustee law. Although much of this law is codified in the Trustee Act, 1925, much more of it is scattered over a depressingly large number of decided cases, many of which are difficult to distinguish. Many years ago the late Sir Arthur Underhill produced out of this morass a text-book which was both practical and reasonably concise and this most recent edition maintains the high standard set by that great lawyer. The law is set forth in one hundred and one clearly-worded articles, each article being followed by explanatory notes. The result is that a particular point can be looked up much more quickly than with the ordinary text-book. Needless to say, the index, printing, and binding are first class.

Woolley's Handbook on the Death Duties (Seventh Edition) by John H. Munkman, LL.B., Barrister-at-Law

(The Solicitors' Law Stationery Society Ltd, London. 27*s* 6*d* net)

Mr Munkman has rewritten and rearranged this book, making it some 100 pages shorter, much of the reduction being in the field of legacy and succession duties which were repealed in 1949. We are sure that it will continue to be the leading work on this subject for the use of students. The author has successfully achieved the difficult task of producing a short treatise which reasonably covers the ground and yet is accurate. There are some statements in it which require some qualification, but bearing in mind the fact that they are not intended for the practitioner, no harm should come from them.

The Assignment of Choses in Action by O. R. Marshall, M.A.(Cantab.), Ph.D.(Lond.), Barrister-at-Law

(Sir Isaac Pitman & Sons Ltd, London. 30*s* net)

Although the expression 'choses in action' may be unfamiliar to the layman, it covers a great many things which are familiar enough in themselves – debts, contractual rights, rights under a trust, and a host of others. The law relating to dealings in tangible things like chattels and land, although complicated, is reasonably certain. The law relating to dealing in choses in action has always been to some extent shrouded in uncertainty. In most text-books the subject is disposed of in somewhat cursory fashion and there has long been a need for a treatise devoted entirely to the subject. This book supplies that need. It does not clear up the doubts – only an Act of Parliament could do that – but it does examine the whole subject in a scholarly manner and it throws a good deal of light on hitherto dark corners of the law.

Consolidated and Other Group Accounts (Second Edition) by T. B. Robson, M.B.E., M.A., F.C.A.

(Gee & Co (Publishers) Ltd, London. 17*s* 6*d* net)

This is an excellent book which no student of accountancy should be without. The author brings to a difficult subject an agreeable and lucid style that makes pleasant reading, although none of the difficulties is shirked. Besides clearly explaining the basic principles of group accounts, the author gives his views on more controversial aspects, views which carry very great weight. At the end of the book there is an elaborate and painstakingly-thought-out practical example of the construction of a set of consolidated accounts. We cannot imagine a better discussion of the subject.

Key to Company Law and Practice edited by T. Bolton, A.C.I.S., and Percy F. Hughes, F.C.I.S.

(Secretaries Journal Ltd, London. 7*s* 6*d* net)

This small book gives a very readable summary of the main provisions of the Companies Act, 1948, with knowledgeable hints about current practice. It is divided into eleven sections, each indicated by a thumb index. At the beginning of each section there is a detailed list of its contents, which are in alphabetical order. Thus a particular point can be looked up in the minimum possible time. The book can be slipped into the pocket and should be especially valuable to students for revision purposes.

Share-Transfer Office Procedure by M. F. Marshall Parkes, M.C., and G. Brian Parker, M.A., LL.B.

(Jordan & Sons Ltd, London. 15*s* net)

The authors of this book claim that it is the first both to explain the practical workings of a company's registration department and to expound the law which necessitates such procedure. They certainly appear to have covered painstakingly, and with commendable clarity, every possible point and they have supplied a most useful series of appendices giving specimens of forms, rulings and documents. One notes with pleasure, moreover, the touch of old-world courtesy employed in describing to the staff of the share transfer office the auditors' functions. 'To regard them', the authors conclude, 'as interfering probers with a great nuisance value is a mistaken and misguided policy and a grave reflection on a hard-working profession.'

THE BIRMINGHAM AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

ANNUAL DINNER

The Birmingham and District Society of Chartered Accountants held a dinner at the Grand Hotel, Birmingham, on Wednesday, March 14th, 1951, with Mr Ernest G. Davies, F.C.A., President of the Society, in the chair. Members and guests, numbering 355, were received by Mr Davies and by Mr H. Garton Ash, O.B.E., M.C., F.C.A., President of The Institute of Chartered Accountants in England and Wales.

The Guests

Among those present were Alderman A. Paddon Smith, J.P., Lord Mayor of Birmingham; the Rt. Hon. Lord Gorell, C.B.E., M.C., M.A.; His Honour Judge A. H. Forbes, Judge of the County Court; Mr Paul E. Sandilands, K.C., O.B.E., D.L., Recorder of Birmingham; and

Messrs R. E. Beckett, F.C.A., F.S.A.A., F.A.C.C.A., F.C.I.S. (*President, Birmingham and District Society of Certified and Corporate Accountants*); C. W. Blasdale (*H.M. Senior Inspector of Taxes, Birmingham*); S. F. Burman, M.B.E. (*President, Birmingham Chamber of Commerce*); R. Kynock Clark, A.C.A. (*Official Receiver, Birmingham*); Denis Clews, F.A.I. (*Chairman, Chartered Auctioneers and Estate Agents' Institute, Birmingham and West Midlands Branch*); M. J. Collier (*H.M. Principal Inspector of Taxes, Birmingham Head Office*); Prof. D. Cousins, B.COM., A.C.A. (*Professor of Accounting and Administration, University of Birmingham*); Major G. B. Cox, F.R.I.B.A. (*President, Birmingham and Five Counties Architectural Association*).

Messrs J. Demaine, F.C.W.A. (*President, Institute of Cost and Works Accountants, Birmingham and District Branch*); J. F. Dunk, F.C.A. (*President, Sheffield and District Society of Chartered Accountants*); Derek du Pré (*Editor, 'The Accountant'*); J. P. Eames, O.B.E., F.I.M.T.A., A.S.A.A. (*Treasurer, City of Birmingham*); Charles Fenby (*Editor, 'The Birmingham Gazette'*); D. M. Green, F.C.I.S. (*Chairman, Birmingham and District Branch, Chartered Institute of Secretaries*).

Messrs W. P. Hale, B.COM., F.C.A., A.S.A.A. (*Chairman, Coventry Area Branch, Birmingham and District Society of Chartered Accountants*); R. L. Harris (*Hon. Secretary, Birmingham Chartered Accountant Students' Society*); G. A. Lyon Hatton, M.A.(CANTAB.) (*President, Birmingham Law Society*); F. F. Hickman (*President, Institute of Bankers, Birmingham Branch*); J. S. Hodges, F.I.M.T.A., A.S.A.A. (*Chairman, Midland Branch, Institute of Municipal Treasurers and Accountants*); D. W. Horne, M.C., F.C.A. (*President, South Eastern Society of Chartered Accountants*); B. C. Kirk, F.C.A. (*President, Birmingham Chartered Accountant Students' Society*); F. W. Kuphal, B.SC., F.R.I.C.S., F.A.I. (*Chairman, Warwickshire, Staffordshire and Worcestershire Branch, Royal Institution of Chartered Surveyors*).

Messrs A. S. MacIver, M.C., B.A. (*Secretary, Institute of Chartered Accountants*); J. F. Milward (*Stipendiary Magistrate of Birmingham*); W. C. Nelson, F.C.A. (*Chairman, Wolverhampton Branch, Birmingham and District Society of Chartered Accountants*); M. P. Pugh, D.S.O., M.C.; W. G. A. Russell, F.S.A.A. (*President, Incorporated Accountants, Birmingham and District Society*); L. C. Simpson, F.C.A. (*President, Leicestershire and Northamptonshire Society of Chartered Accountants*); H. A. Snell, F.C.A. (*President, Bristol and West of England Society of Chartered Accountants*).

Mr A. A. W. Tedd (*Chairman, Birmingham Stock Exchange Committee*); Prof. Gilbert J. Walker, D.LITT., M.A., (*Dean, Faculty of Commerce, University of Birmingham*); Messrs G. M. W. West, F.C.A. (*President, Liverpool Society of Chartered Accountants*); H. R. G. Whates (*Editor, 'The Birmingham Mail'*); E. F. G. Whinney, M.A., F.C.A. (*Chairman, London and District Society of Chartered Accountants*); D. D. W. Wynn-Williams (*Agent, Bank of England, Birmingham*).

A City of Genuine Commerce

The toast of 'The City of Birmingham' was proposed by His Honour Judge Forbes who, as a stranger 'from that scrubby little village of London', spoke of the impressions gained from his four years in the city and of his growing affection for it.

Birmingham, he said, was a city of

'genuine commerce – making things and selling things, dealing with things that the people need, and really advancing the life of the community'.

It was also a cultured city, and he spoke highly of the accomplishments of the Birmingham Symphony Orchestra and the Birmingham City Choir. (Applause.)

In his response, the Lord Mayor commented on the seriousness of the housing problem in the city. The necessary importation of labour into Birmingham aggravated the difficulties, and at the moment there were something like 60,000 names on the estates housing list.

Proposing the toast of 'The Institute of Chartered Accountants', Lord Gorell said that he was at a great advantage in that he had none of 'the sad diffidence which is associated with knowledge'. (Laughter.)

He had at one time been attached to a firm of chartered accountants in order, it was hoped, to improve his morals and sharpen his wits. His morals had not noticeably deteriorated but he feared his wits had been permanently impaired. (Renewed laughter.)

On a more serious note, he said he felt it was true to say that the designation 'chartered accountant' was 'the hallmark of integrity and ability', and he believed every business man in the country would endorse this. (Applause.)

Spirit of Free Enterprise

Replying to the toast, Mr Garton Ash said:

'The natural aim of all men is to secure a just reward for their labours and that just reward goes beyond the actual present return for their immediate efforts.

'It must comprise as well a return for the risk they take in starting the venture, in providing the capital to enable an industry first of all to be equipped and then to be developed into a thriving enterprise giving the means for employment of others. This capital is provided out of the savings of individuals themselves who have looked to the future. (Hear, hear.)

'To this end it has been an accepted principle to work for future stability and improvement, taking in the meantime only a moderate reward for the time and energy involved, and out of savings to supply the capital for development.

'The result of that policy has been to build up the spirit of free enterprise as we know it, for the good of the country as a whole and also for the advancement of all who work in it. (Hear, hear.)

'That is a long-term policy that has secured a steady advance for all concerned. But today it has become more a question of living for the present and letting the future take care of itself.

Object of Present Taxation Policy

'This is largely brought about by present taxation policy. For that policy takes the short rather than the long view. Its object appears to be to obtain as much as possible for immediate use regardless of the result on the future. (Hear, hear.)

'Unless this state of affairs is soon corrected, so much will be taken out of the working capital of industry that a collapse will inevitably be brought about to the detriment of all, both the employer – and that includes the many thousands of shareholders who have provided the funds which make these undertakings possible – as well as the employed.

'Signs are not lacking that troubles are already afoot. The dangers begin to show when concerns find themselves faced with liquidation or when they decide to close down because the future holds no hope. I am sorry to say that is happening today.

Formation of Companies Overseas

'High taxation is also having a detrimental effect on the country in other ways – the transfer of businesses out of the country is one. But a worse feature, and one which I have encountered and which has possibly been experienced by others, is the formation overseas of companies to start up new enterprises which would normally have been managed and operated from this country.

'That not only entails a serious loss to the business community of this country, and a loss of revenue to the Exchequer, but also loss of employment, for much of the material required for these new undertakings is secured from abroad instead of from here.

'These tendencies are progressive and will, I fear, gain in momentum unless something is done to encourage them to again be established in this country. Perhaps the report of Mr Millard Tucker's Committee on Taxation of Trading Profits which we are all anxiously awaiting, will have something to say on this aspect of the taxation burden.

'At the present time there is much talk of the iniquity of the profits in free enterprise. There is, I think, a great deal of ill-informed criticism levelled against these essential results of any well-conducted business. A business without profit is soon no business at all. (Applause.)

What Happens to the Profits ?

'Now what happens to the profits? First, they provide the income for the Treasury by means of which the country and all its services are carried on; next they give a moderate income to the shareholders; and finally they enable funds to be set aside for the improvement and development of the concern. These are all very important and essential uses to which profits are applied.'

He continued:

'The habit of comparing current profits with those of earlier years often leads to misunderstanding – profits have naturally increased for the very reasons which have led to an increase in commodity values, and wages.

'It cannot be too clearly stated that the profits which are ploughed back into the business and which might have been distributed to the shareholders, form an essential fund for safeguarding the business itself and therefore the employment of labour and payment of wages.

'Profits are not iniquitous – they are essential and I am sure we accountants would be a most depressed community if we were always reporting on accounts which showed losses.' (Applause.)

The President, Mr Davies, proposed the toast of 'Our Guests', extending a charming welcome to the many who were present, and Mr M. P. Pugh responded wittily on their behalf.

The evening concluded with an expression of appreciation by Mr Davies of the admirable work done by the indefatigable Hon. Secretary, Mr H. James Gittoes, F.C.A., in organizing the dinner.

Music was provided by the Maurice Udloff Trio.

INCORPORATED ACCOUNTANTS' SOUTH WALES AND MONMOUTHSHIRE DISTRICT SOCIETY

ANNUAL DINNER IN CARDIFF

The annual dinner of the Incorporated Accountants' South Wales and Monmouthshire District Society was held at the Park Hotel, Cardiff, on Thursday, March 15th, 1951. The President of the Society, Mr J. D. R. Jones, F.S.A.A., was in the chair, and with Mrs Jones and Mr A. Stuart Allen, F.S.A.A., President of the Society of Incorporated Accountants and Auditors, received members and guests who numbered 221.

Among the guests were Alderman George Williams, C.B.E., J.P., Lord Mayor of Cardiff; Sir Frederick J. Alban, C.B.E., J.P., F.S.A.A., Mr L. Howles, M.I.E.E., M.I.STRUCT.E., Chairman of the South Wales Electricity Board; Sir Percy Thomas, O.B.E., LL.D., D.L., J.P., Past President of the Royal Institute of British Architects; and

Messrs G. E. Aeron-Thomas (*Chairman, National Coal Board, South Western Division*); G. T. Cantley (*Chairman, Cardiff Stock Exchange*); I. A. F. Craig, O.B.E. (*Secretary, Society of Incorporated Accountants*); Evan G. Davies (*President, Cardiff Law Society*); A. H. Lawrence, F.C.A. (*President, South Wales and Monmouthshire Society of Chartered Accountants*); E. E. Porter, F.S.A.A. (*President, Swansea and South West Wales District Society of Incorporated Accountants*); Ivor P. Ray, F.S.A.A. (*President, West of England District Society of Incorporated Accountants*); R. G. M. Street (*President, Cardiff Incorporated Chamber of Commerce*); D. W. Vaughan (*President, Cardiff and District Centre, Institute of Bankers*); E. J. Waldron, F.S.A.A. (*President, South of England District Society of Incorporated Accountants*).

Articled Pupils in Nationalized Industries

The toast of 'The Society of Incorporated Accountants and Auditors' was proposed by Mr Howles, who spoke of the important part played by accountants in the commercial life of this country at the present time.

As one associated with a nationalized industry, Mr Howles felt that earnest consideration should be given to the opportunities available to young men in the accountancy sections of those industries for obtaining the necessary qualifications, and he hoped that in the future it might be more possible for them to do so within the industries themselves. The nationalized industries were new and brought with them new problems that must be faced.

'It would be of mutual advantage and a great national gesture if you could so open your ranks that properly accredited members of your society could take articled pupils in the nationalized industries; and, indeed, take them on such a scheme that after eighteen months or two years they could change places with similar students who are in a private practice, so that in both ways their experience would be widened and we would have fully-trained people available for the auditing branch of these industries at the end of their period necessary to qualify for entry into your society.'

Responding to the toast, Mr Stuart Allen said in the course of his speech:

'In regard to the question which he [Mr Howles] raised in connexion with accountancy employees of large public undertakings, I can assure him that this issue is receiving most earnest consideration by our Council.'

A Notable Evening

It was for him, said Mr Stuart Allen, a notable evening as – at the close of his Presidential term – this was probably the last function of this kind that he would officially attend. He continued by giving some interesting reflections on the nature of his office and recalling some of the happenings of the past two years.

'For two years I have been privileged to preside over the deliberations of a Council of thirty-eight members – including one lady – but I hasten to add that "preside over" is a polite euphemism for what actually occurs. In fact, I sit and listen to the views of thirty-seven individuals of diverse and independent minds, and if, by some fortunate chance, a consensus of opinion is achieved, I become the instrument of this decision with the duty of carrying it into practical effect, with the aid of our long-suffering secretariat.' (Laughter and applause.)

He continued:

'We Britons are naturally prone to believe that it is the destiny of our country to be great, but I suggest that it may be as well to put this laudable conviction on one side for long enough to permit us to make a dispassionate appraisal of the realities of the country's situation at this mid point of the twentieth century.

'Greatness is surely dynamic, not static. We must seek it and ensure it, and I want to urge that a clear perception of our problems and our difficulties is essential to the proper direction of the effort that lies before us.

'Symptoms of national poverty are in front of our eyes and awaiting recognition in the rationing schemes, the quotas and the elaborate exchange restrictions, and of these the end is not foreseeable.'

Mr Stuart Allen concluded:

'My plea is for deeper and more searching thought into the realities of our national situation, in the belief that out of a clear perception of the dangers will arise the determination to apply the long-term remedies.' (Prolonged applause.)

Proposing the toast of 'Prosperity to South Wales and Monmouthshire', the Vice-President of the Society, Mr W. J. Fooks, F.S.A.A., said how much the prosperity of this area depended on its ports. The general position was gloomy, chiefly due to the fact that the output of coal was, he had been told, only three-quarters of what it was pre-war.

A Capital for Wales?

In his response, the Lord Mayor said that the time had come for a capital to be designated for Wales, the only nation within the British Commonwealth without a capital. This was a domestic matter which must be decided by Wales alone.

The toast of 'Our Guests' was proposed by the President, Mr Jones, in a warm speech of welcome. Sir Percy Thomas and Mr R. G. M. Street responded with grace and humour on their behalf.

A programme of music under the direction of Eira Novello Williams was provided during dinner.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

The following is a list of Associates elected to Fellowship and applicants admitted to membership at the Council Meeting held on March 7th, 1951, who completed their Fellowship or Membership before March 20th.

Associates elected Fellows

Betterton, James Stanley; 1913, A.C.A.; 46 The Chase, Coulsdon, Surrey.
Brackenridge, Alexander Robertson; 1939, A.C.A.; (*Woolger, Hennell, Scott-Mitchell & Co, Moorfields Chambers, 165–167 Moorgate, London, EC2, and at Glasgow.
Collins, Joseph; 1933, A.C.A.; (Bland, Carryer & McAlpin), 3 St Martin's East, Leicester.
Dick, John Kenneth; 1937, A.C.A.; (*Mann, Judd & Co), 8 Frederick's Place, Old Jewry, London, EC2.
English, Frederick William; 1936, A.C.A.; (*Mann, Judd & Co), 8 Frederick's Place, Old Jewry, London, EC2.
Fletcher, Barten Kenneth; 1931, A.C.A.; Broadmead House, 21 Panton Street, London, SW1, and at Bromley.
Gadd, Philip Geoffrey; 1936, A.C.A.; (Aston, Parkinson & Gadd), Selby Towers, 29 Princes Drive, Colwyn Bay, and at Denbigh.
Goodman, Arthur Leslie; 1939, A.C.A.; 3 St Andrew Street, Plymouth, and at Perranporth.
Gordon-Smith, Robert; 1943, A.C.A.; (W. E. Fairbrother & R. Gordon-Smith), Barclays Bank Chambers, 4 Wellington Street, Woolwich, London, SE18, and Dacre House, 5 Arundel Street, Strand, London, WC2.
Hazlitt, Joe; 1929, A.C.A.; 2 Booth Street, Manchester, 2.
Judd, Godfrey Broumton, B.A.; 1936, A.C.A.; (*Mann, Judd & Co.), 8 Frederick's Place, Old Jewry, London, EC2.
Page, Walter Fountain, M.C., T.D.; 1937, A.C.A.; (*Larking, Larking & Whiting), 26 Tuesday Market Place, King's Lynn; (for other towns see *Larking, Larking & Whiting).
Pullan, Horace William Virgo; 1932, A.C.A.; (*John Baker, Sons & Bell), Cunard House, 88 Leadenhall Street, London, EC3.
Reeves, Norman George; 1937, A.C.A.; (Kennedy, Fox, Oldfield & Co), 238–243 Temple Chambers, Temple Avenue, London, EC4.
Wixley, Gordon Robert Alexander; 1937, A.C.A.; (Alliott, Makepeace & Co), Portland House, 73 Basinghall Street, London, EC2.

(Not in England or Wales)

Broughton, Henry George; 1926, A.C.A. (Black, Geoghegan & Till), 10 Lefebvre Street, Guernsey, C.I.
Hunt, John Yardley Vernon; 1933, A.C.A.; (*Peat, Marwick, Mitchell & Co), Telephone House, (P.O. Box 50), Hong Kong, and at Kobe and Tokyo.
Stewart, Robert Donald, M.A.; 1933, A.C.A.; (*Turquand, Youngs & Co), Hong Kong Bank Chambers, (P.O. Box 384), Singapore, and at Penang, Kuala Lumpur, Ipoh and Jesselton, North Borneo.

* placed against a Firm Name signifies that the Firm is not exclusively composed of members of the Institute.

Admitted as Associates
(In Practice)

Apple, Maurice, 30 Warwick Avenue, Edgware, Middlesex.
Bell, Raymond Vincent; (Raymond Bell & Co), 9 Parsonage Gardens, Enfield, Middlesex.
Conway, David Isaac, 67 Highfield Avenue, Brent, London, NW11.
Davies, Peter Lloyd (Davies, Watson & Co), 31 Dover Street London, W1.
Horrex, Edwin Philip Andrew, D.F.C., 50 Field End Road, Eastcote, near Pinner, Middlesex.
Jones, Kenneth Arthur, 12 Pamela Gardens, Eastcote, Middlesex.
Nestel, Lewis Alfred Leslie; (Lewis Nestel & Co), 295 Watford Way, Hendon, London, NW4.
Parkinson, Derek Henry, (F. H. Parkinson & Co), 1 and 2 Corporation Chambers, Corporation Street, Bolton.

(Not in Practice)

Albrow, Edgar Arthur, with *Roth, Manby & Co, 6 Vigo Street, London, W.1.
Alcock, John Stephen, with E. M. Owen & Co, 11 and 13 Victoria Street, Liverpool, 2.
Allan, William Arnold, with Joseph Miller & Co, 28 Mosley Street, Newcastle upon Tyne, 1.
Andrew, Edwin Charles, with Paul Dowd & Co, 216 Martins Bank Building, Water Street, Liverpool, 2.
Argent, Eric William, 20 Chattern Road, Ashford, Middlesex.
Arthur, Roy Anthony, with Miller, Smith & Co, 17 Suffolk Street, Pall Mall, London, SW1.
Ascroft, Arnold Francis, with *Parker, Edwards & Co, 33 Winckley Square, Preston.
Ashill, Maurice Comber, with Stoy, Hayward & Co, 5 Giltspur Street, London, EC1.
Attfield, Philip James, with Morison, Rutherford & Co, 20 Eastcheap, London, EC3.
Ault, Patrick Denis, with *Brown, Fleming & Murray, 4B Frederick's Place, Old Jewry, London, EC2.
Austen, David James, with Fredk. B. Smart & Co, 22 Queen Street, Cannon Street, London, EC4.

Bailey, Robert, with Hart, Kelland & Co, 59 Penns Lane, Sutton Coldfield, Warwickshire.
Baker, Vivian, with *Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London, EC2.
Bakewell, Colin Marshall, with F. Geen & Co, Victoria Chambers, Liverpool Road, Stoke-on-Trent.
Ballard, George Stanley Coote, with Turquand, Youngs & Co, 19 Coleman Street, London, EC2.
Banks, Cyril Thomas Neal, with Ford, Rhodes, Williams & Co, 4B Frederick's Place, Old Jewry, London, EC2.
Banwell, John Mather, with *Hubbart, Durose & Pain, 9 Low Pavement, Nottingham.
Barker, Harry George, with Geo. Little, Sebire & Co, Adelaide House, King William Street, London, EC4.
Barlow, Derrick, with Roffe, Swayne & Co, Clock House, Arundel Street, Strand, London, WC2.
Barnes, Kenneth, with Tansley Witt & Co, Old Serjeants' Inn Chambers, 5 Chancery Lane, London, WC2.
Barnes, Norman Henry, with Jones, Ross, Howell & Co, 19 Dunraven Street, Park Lane, London, W1.
Barrett, John Richard, with James, Edwards & Co, Salisbury House, London Wall, London, EC2.
Barrett, Thomas Hubert John, with J. & H. S. Metcalf, 10 St Andrew's Crescent, Cardiff.
Barry, James David, with *Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London, EC2.
Basden, Brian Edward, B.A., with Kemp, Chatteris & Co, 1 Throgmorton Street, London, EC2.
Basham, Kenneth Frank John, with Bensusan-Butt, Eves & Co, 8 West Stockwell Street, Colchester, Essex.
Bates, David Arthur, with *Adnitt & Son, 21 New Road, Peterborough.
Beck, Harold Herbert Ernest, with *Hill, Vellacott & Co, Law Courts Chambers, 33 and 34 Chancery Lane, London, WC2.
Bell, John Arthur, with *Arthur J. Bell & Co, 71 Chestnut Grove, New Malden, Surrey.
Bellamy, Northcote Miles, with McAllen & Ayton, 42 Prince of Wales Road, Norwich.
Bellevue de Sylva, Paul Georges, with *Leask, Clemens & Co, 640 Finchley Road, Golders Green, London, NW11.
Berger, Patrick Beverley Stuart, with Reeves & Young, 8 Laurence Pountney Hill, London, EC4.
Berman, Michael, 50 Trinity Road, Llanelly.
Bigg, Peter Alfred, with Geo. Little, Sebire & Co, Adelaide House, King William Street, London, EC4.
Bird, Brian John Kidman, with Plummer, Parsons & Harrap, 18 Hyde Gardens, Eastbourne.
Bird, Richard Jesse, with Bryce Hanmer & Co, 1 and 3 Stanley Street, Liverpool, 1.
Bird, William Leslie, with *Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London, EC2.
Birnie, Douglas William Stow, with Broads, Paterson & Co, 1 Copthall Close, Moorgate, London, EC2.
Blackburn, Stanley, with Wm. F. Smart, Son & Bloor, Finsbury Pavement House, 120 Moorgate, London, EC2.
Boardman, Richard Douglas, with Coward Button & Co, Southampton House, 317 High Holborn, London, WC1.
Boyles, Wilfred Arthur, with W. Elles-Hill & Co, Prudential Buildings, St Philip's Place, Birmingham, 3.
Brigg, John Rodney Wilford, B.A., with Reads, Cocke & Watson, Leith House, 47 Gresham Street, London, EC2.
Brittain, William, with Thomas Brittain & Co, 4 Waterloo Street, Birmingham, 2.
Brookman, Martin Theodore Ralph, with Whitehill, Marsh, Jackson & Co, Kent House, Telegraph Street, Moorgate, London, EC2.
Buck, David, with *Barton, Mayhew & Co, Alderman's House, Bishopsgate, London, EC2.
Bulford, Alexander John, with Wetton, Page & Co, Copthall House, Copthall Avenue, London, EC2.
Burden, Paul, with *Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London, EC2.
Burgess, Clive Ernest, with *W. G. A. Russell & Co, 12 Waterloo Street, Birmingham, 2.
Burrows, Raymond Eastoe, B.A., with Lord, Foster & Co, Rex House, 38 King William Street, London, EC4.
Butler, Ian Geoffrey, M.A., with Tansley Witt & Co, Old Serjeants' Inn Chambers, 5 Chancery Lane, London, WC2.
Butler, Norman Thomas, with W. J. Calder, Sons & Co, 90 Jermyn Street, London, SW1.
Buttanshaw, Alan, with Turquand, Youngs & Co, 19 Coleman Street, London, EC2.
Bygrave, Ronald Frank, with Newman Ogle, Bevan & Co, Spencer House, South Place, London, EC2.

Calton, Frederick George, with Morison, Rutherford & Co, 20 Eastcheap, London, EC3.
Campsie, Thomas Booth, with Hodgson, Harris & Co, Orient Buildings, Station Road, Fleetwood, Lancashire.
Cann, Walter Cyril, with Reads, Cocke & Watson, Leith House, 47 Gresham Street, London, EC2.
Capey, John, D.F.C., with F. Geen & Co, Victoria Chambers, Liverpool Road, Stoke-on-Trent.
Carr, Gordon Verner, with Price Waterhouse & Co, 31 Mosley Street, Newcastle upon Tyne, 1.
Cattle, Derek Arthur, with *Layton-Bennett, Billingham & Co, 23 Blomfield Street, London, EC2.
Caveney, Harry, with Morton & Barber, 31 Water Street, Hyde, Cheshire.
Chamberlain, John Trevor, with Thaddeus Ryder & Co, 16–17 Theatre Royal Chambers, New Street, Birmingham, 2.
Chance, Brian, with Kennedy, Fox, Oldfield & Co, 238–243 Temple Chambers, Temple Avenue, London, EC4.
Chandler, Robert Geoffrey, with Greenslade & Co, Drapery Buildings, The Drapery, Northampton.
Chatham, Robert Broughton Felton, with Kemp, Chatteris & Co, 1 Throgmorton Street, London, EC2.
Cheetham, Derek Leslie, with F. W. Stephens & Co, Liverpool House, 15–17 Eldon Street, London, EC2.

Choak, Francis Lionel Henry, with *Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London, EC2.
Christmas, Leslie George, with Lord, Foster & Co, Rex House, 38 King William Street, London, EC4.
Chubb, Anthony Gerald Trelawny, with Harrison, West, Ledsam & Co, 33 Waterloo Street, Birmingham, 2.
Clark, Sydney Ernest, with Critchley, Ward & Pigott, Boswell House, 1–5 Broad Street, Oxford.
Cliffe, Michael Leslie, with Alexander, Sagar & Co, 31 Clarendon Road, Leeds, 2.
Clissold, John Main, with A. C. Palmer & Co, Court Chambers, Friar Lane, Leicester.
Coates, Fred, with Kneeshaw, Moffatt & Co, Bank Chambers, 7 Hargreaves Street, Burnley.
Cockshott, William David, with A. E. Ellison & Co, Commerce House, Cheapside, Bradford.
Cole, John Metcalfe, with McPherson, Timmins & Ednie, 7 St Paul's Square, Bedford.
Collinge, Denis Schofield, with Reads, Cocke & Watson, Leith House, 47 Gresham Street, London, EC2.
Colquhoun, Kenneth, with Nairne, Son & Green, 1 Brazennose Street, Manchester, 2.
Comer, Philip Allen, with *Eggleton & Co, Russell Chambers, 2 Whitfield Street, Gloucester.
Cooke, Gilbert Andrew, with Miles, Watson & Co, 1 Westover Mansions, 13 Gervis Place, Bournemouth.
Cooper, Alfred, with Parker, Gradwell & Co, Hollins Chambers, 64A Bridge Street, Manchester, 3.
Corbett, Albert Ernest, with Impey, Cudworth & Co, 5 Lower Temple Street, Birmingham, 2.
Corley, Michael Arthur, with Smailes, Holtby & Gray, 99 Princes Avenue, Hull.
Corsan, Sidney John David, with *Cooper Brothers & Co, 14 George Street, Mansion House, London, EC4.
Cosslett, Edward Peter, with Cosslett & Co, 47 Market Street, Manchester, 1.
Coulson, Edgar Arthur, with Reads, Cocke & Watson, Leith House, 47 Gresham Street, London, EC2.
Cox, Eric Dennis, with Newport, Nelson & Co, 79 Bishopsgate, London, EC2.
Crawford, Michael Grove, B.A., with John Gordon, Harrison, Taylor & Co, 7 Bond Place, Leeds, 1.
Crossley, Richard George, 71 Connaught Avenue, Enfield, Middlesex.
Crystal, Arnold Hyman, with F. C. & J. S. Darwell, 14 Edward Street, Blackpool.
Cunliffe, Ronald, with H. D. Collins, Westminster Bank Chambers, Lord Street, Southport.

Daniels, Walter Albert, with *Henry Steele & Co, Fountain House, 81 Fountain Street, Manchester, 2.
Davies, David Telford, 3 Llangwm Way, Porthcawl, Glamorgan.
Davies, Evan Goronwy, with *Deloitte, Plender, Griffiths & Co, Barclays Bank Buildings, Wind Street, Swansea.
Davies, John, with A. C. Palmer & Co, Court Chambers, Friar Lane, Leicester.
Davies, John Hart, with *C. F. Middleton & Co, 73 Basinghall Street, London, EC2.
Davis, Bernard David, 188 Longbridge Road, Barking, Essex.
Davis, Michael Gerard, with James, Edwards & Co, Salisbury House, London Wall, London, EC2.
Davison, James Maurice Joseph, with Strachan & Co, 57 Grainger Street, Newcastle upon Tyne, 1.
Dean, Cedric Peter, with Tebb, Beevers & Co, 15 Park Row, Leeds, 1.
Denton, David, with W. Latham (Wm. Latham & Co), 12 Park Street, Lytham, Lancashire.
Derbyshire, Desmond Cyril, with Blackburns, Robson, Coates & Co, 59 New Cavendish Street, London, W1.
Deshpande, Vasant Shantaram, with A. C. Palmer & Co, 7 Laurence Pountney Hill, London, EC4.
Deveson, Geoffrey Reginald, with Dangerfield, Brewis & Co, 56 Cannon Street, London, EC4.
Dickinson, Claude William, with Richard White & Son, New Chambers, 4 Westcliff Gardens, Folkestone.
Dixon, John Brian, with *Harman & Gowen, 7 Queen Street, Norwich.
Dodds, Alan Mitchell, 28 Windemere Street, Gateshead-on-Tyne.

Eaton, Desmond Trevor, with *A. E. Limehouse & Co, 24 Market Place, Rugby.
Edwards, Elton Percy, with *Thompson & Wood, 22 Broad Street, Hereford.
Ellershaw, Robert Gladwin, with Brown & Wilby, Priory Chambers, St Martins, Leicester.
Elman, Charles, with *Mark Banus, Pollard & Co, 9–11 Copthall Avenue, London, EC2.
Erritt, Thomas John Raymond, with R. G. Cotter (R. G. Cotter & Co), 80 The Albany, Old Hall Street, Liverpool, 3.
Eva, John Wilfrid, with James Carter & Sons, 14 Wood Street, Bolton.
Evans, Evan, with G. Walmsley, 3 Exchange Buildings, Queen Square, Wrexham.
Evans, John Sidney, with Smallfield, Fitzhugh, Tillett & Co, 24 Portland Place, London, W1.
Evans, Lawrence Joseph, with N. J. K. Smith (N. J. Kissock Smith & Co), 54 Hamilton Square, Birkenhead.
Evans, Thomas James William, with King, Hope & Co, 6 Dovecot Street, Stockton-on-Tees, Co. Durham.

Fairclough, Robert Noel, 6 Westwick Grove, Sheffield, 8.
Fenwick-Smith, Peter, M.A., c/o R. Hood Haggie & Son Ltd, Moseley Street, Newcastle upon Tyne, 1.
Fielding, Michael David with Fieldings, 28 Victoria Street, Paignton, Devon.
Figov, Cyril, with Fisher, Conway & Co, 63A Great Russell Street, London, WC1.
Finch, Cecil John, with *Mercer & Hole, 20 London Road, St Albans.
Folkes, Stewart Graham, with *Dunn, Wylie & Co, 5 Drapers' Gardens, Throgmorton Avenue, London, EC2.
Foster, Noel Ian, with Clifford Bliss & Co, 3–8 Palace Chambers, Sydney Road, Enfield, Middlesex.
Frost, Patrick Victor George, with J. & A. W. Sully & Co, Parliament Mansions, Abbey Orchard Street, Victoria Street, London, SW1.
Friend, Bernard, with Levy, Hyams & Co, Central House, 36 Oxford Street, London, W1.

Gaastra, Donald, with *Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London, EC2.
Ganguli, Parbati Charan, c/o Lloyd Piggott & Co, 2 Cooper Street, Manchester, 2.
Gardner, Jack, with Leigh & Sorene, 146 Oxford Street, London, W1.
Gee, Brian Arnold, with Longcroft, Smith & Co, Capel House, New Broad Street, London, EC2.
George, Brian Henry, with *Elder Levie, Bryan & Co, Plantation House, 31–34 Fenchurch Street, London, EC3.
George, Peter Stanley, with Walter Meacock & Co, Carlton Chambers, 45 High Street, Newport, Mon.
Gilbert, Ian Frank, B.SC.(ECON.), with Buckley, Hall, Devin & Co, 82 King William Street, London, EC4.
Gledhill, John Roger, with Holmes, Widlake & Gibson, 2 Paradise Street, Sheffield, 1.
Goffin, William Michael, 4 Peck's Hill, Mansfield.
Goodchap, John Austen, with Tribe, Clarke & Co, Albion Chambers, Small Street, Bristol, 1.
Gray, Richard Dennis, with E. K. Locking (E. Kenneth Locking & Co), Corporation Chambers, Trinity House Lane, Hull.
Gregg, Frank, c/o Gregg, Paterson & Co, 3 St James's Square, Manchester, 2.
Green, Gordon Lancelot Stacey, with Baker, Sutton & Co, Eldon Street House, Eldon Street, London, EC2.
Green, Michael Anthony, with Thornton & Thornton, Nuffield House, 41–46 Piccadilly, London, W1.
Greenwood, Noel Holmes, with Spenser Wilson & Co, Equitable Chambers, Central Street, Halifax.
Griffiths, Peter Dudley, with Crombie, Lacon & Stevens, 34 Waterloo Road, Wolverhampton.
Grimshaw, William George Peter, with Clarke, Eckersley, Prentice & Co, 41 Spring Gardens, Manchester, 2.
Grinsted, Peter Meredith, with Kemp, Chatteris & Co, 1 Throgmorton Street, London, EC2.

Hackwood, Philip Francis, with Spicer & Pegler, 19 Fenchurch Street, London, EC3.
Hales, Arthur John Graham, with Edward Thomas Peirson & Sons, 39 High Street, Market Harborough.
Hales, Donald Keith, with *Harold C. Wright, King & Co, 92 New Cavendish Street, London, W1.
Halpern, Sidney Gerald, with C. Halpern (Cecil Halpern & Co,), 18 Charing Cross Road, London, WC2.
Handley, William Ernest Hartop, Cold Brayfield, Olney, Bucks.
Hanson, Geoffrey, with *Horace Rhodes & Co, Royal Insurance Chambers, Central Street, Halifax.
Hargreaves, Robert Eric, 10 Marlings Park Avenue, Chislehurst, Kent.
Harland, Geoffrey, with Wm. Harland & Son, 41 High Street, Stockton-on-Tees.
Harlow, Roy Frederick William, c/o Ceres Shipping Co Ltd, 154 Bishopsgate, London, EC2.
Hawkins, Edward Ronald, 115 Village Road, Enfield, Middlesex.
Hawthorne, Eric, with *Hill, Vellacott & Co, Law Courts Chambers, 33 and 34 Chancery Lane, London, WC2.
Hesse, John Gerard George, with Harrison, West, Ledsam & Co, 33 Waterloo Street, Birmingham, 2.
Hewitt, John Herbert, with *Mellors, Basden & Mellors, 1 King John's Chambers, Bridlesmith Gate, Nottingham.
Hewland, Kenneth, with *Scott, Wheatley, Palmer & Co, Suffolk House, Silver Street, Hull.
Hickley, Anthony Peter, with *Woolger, Hennell, Scott-Mitchell & Co, 165–167 Moorgate, London, EC2.
Higson, Douglas, with *W. H. Payne & Co, 7 Victoria Street, London, SW1.
Hill, George Raymond, with Ford, Rhodes, Williams & Co, 4B Frederick's Place, Old Jewry, London, EC2.
Hills, Dudley Gordon, with Morison, Rutherford & Co, 20 Eastcheap, London, EC3.
Hinings, Peter Hugh, with Herbert Hill & Co, 552–555 Salisbury House, London Wall, London, EC2.
Hitchman, John Henry, with Sydenham, Snowden, Nicholson & Co, 27 Martin Lane, Cannon Street, London EC4.
Hobson, Stanley, with *Prior & Palmer, General Buildings, Bridlesmith Gate, Nottingham.
Holliday, Christopher James, with Ogden, Manning Hill & Co, 11 Clarence Street, Cheltenham.
Hollingsworth, Frederick Weatherley, with John C. Dawson & Co, The Red House, Duncombe Place, York.
Hollins, Donald, with Andw. W. Barr & Co, Abbott's Chambers, 202 Bishopsgate, London, EC2.
Holmes, Arthur, with David Smith, Garnett & Co, 61 Brown Street, Manchester, 2.
Hooper, Peter Thomas Jones, with H. W. Vaughan & Co, 12 Christina Street, Swansea.
Hopwood, Arthur, 18 Avenue Road, Kingskerswell, near Newton Abbot, Devon.
Horne, Frederick Cecil, with G. Hay (George Hay & Co), 13–15 High Street, Chesham, Bucks.
Horton, John Arthur, with Tyler & Wheatcroft, Central House, 75 New Street, Birmingham, 2.
Houghton, Timothy Patrick, 9 Ascott Avenue, Ealing, London, W5.
Hovey, Kenneth Philip Blandford, with J. Dix Lewis, Caesar, Duncan & Co, 112–114 Cannon Street, London, EC4.
Hovey, William Alfred, with J. Dix Lewis, Caesar, Duncan & Co, 112–114 Cannon Street, London, EC4.
Howard, Michael, with *Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London, EC2.
Howarth, Samuel Kenneth, 24 Leach Lane, St Annes, Lytham St Annes, Lancashire.
Hoyles, Raymond William, with Clark, Brownscombe & Co, 8 The Drive, Hove, 3.
Hughes, Geoffrey Mervyn Maurice, with Edmund D. White & Sons, London and Lancashire Chambers, 45A Dale Street, Liverpool, 2.
Hulton, Dennis, with A. Redfearn, Son & Co, Northern Assurance Building, Albert Square, Manchester, 2.
Hunter, Arthur Alexander, with K. Hayes (Kenneth Hayes & Co), London Assurance House, 36 Bennett's Hill, Birmingham, 2.

Jacobs, Elliot Norman, with Cooper and Cooper, 27 and 28 Finsbury Square, London, EC2.
Jago, William Andrew, with Carter, Son & White, Craven House, 16 Northumberland Avenue, London, WC2.
Jamison, William Brian Ian, with Bishop, Morrell & Co, Bank Chambers, 329 High Holborn, London, WC1.
Johnston, Wilfrid Bassil, with *Pannell, Crewdson & Hardy, 9 Basinghall Street, London, EC2.
Jones, Arthur Edgar Ronald, with *Cooper Brothers & Co, 3 Rumford Street, Liverpool, 2.
Jones, Frederick Stanley, 214 Urmston Lane, Stretford, Manchester.

King, Georgine Elizabeth, with *Hubbart, Durose & Pain, 9 Low Pavement, Nottingham.
King, John Michael Ewen, with J. B. Boyd, Wrigley & Co, 55 Brown Street, Manchester, 2.
Knight, Richard Beatty Macbean, Wavell House, Chichester Drive, Saltdean, Sussex.
Knox, Leslie, with Victor Walton & Co, 26 and 27 Bond Street, Leeds, 1.

Laidlaw, Jean, with Barber & Co, 2 Finchley Road, London, NW8.
Lake, Philip John, with J. S. Streets & Co, 9 Beaumont Fee, Lincoln.
Lamb, Ronald, 214 Norfolk Road, Byker, Newcastle upon Tyne, 6.
Latham, Charles Leonard, with *C. F. Middleton & Co, 73 Basinghall Street, London, EC2.
Le Cornu, David Mallet, with Reads, Cocke & Watson, Leith House, 47 Gresham Street, London, EC2.
Lees, Eric Liberman, B.A., with Blackburns, Robson, Coates & Co, City Chambers, Infirmary Street, Leeds, 1.
Leeson, Peter John, with W. H. Barnes & Co, 10 Coleman Street, London, EC2.
Legg, John Preston, with John Gordon, Harrison, Taylor & Co, 7 Bond Place, Leeds, 1.
Lewis, John Gordon Leach, with Reeves & Rothwell, 5 Laurence Pountney Lane, Cannon Street, London, EC2.
Lincoln, Frederick William, c/o A. G. Gaylard, 351 Commercial Road, Portsmouth.
Little, John, M.A., with Bolton & Wawn, Royal Exchange Buildings, Hood Street, Newcastle upon Tyne, 1.
Long, William Casson, with C. Long (Clifford Long & Son), The Manor House, Manor Street, Bradford.

Mabbs, Clifford Peter, with George Gradon & Co, Finsbury House, Blomfield Street, London, EC2.
McFarlane, Donald James, with Highfield, Prichard & Mumby, 6 Dale Street, Liverpool, 2.
Manterfield, Kenneth Charles, with Camm, Metcalfe, Best & Co, Benefit Buildings, Moorhead, Sheffield, 1.
Martin, George William, with Godwin & Taylor, 24 Station Road, Redhill, Surrey.
Matthews, Alan, 129 Cedar Road, Fenham, Newcastle upon Tyne.
Mawby, Colin Arthur, with Glass & Edwards, 3 Stanley Street, Liverpool, 1.
Mayoh, John Derek, 3 Weythorne Drive, Bolton.
Mead, Colin, with *Leigh, Lawler & Hooper, 55 Hoghton Street, Southport.
Meakins, Derrick Robert, with J. Dix Lewis, Caesar, Duncan & Co, 112–114 Cannon Street, London, EC4.
Meeke, Harold Gordon, with Marshall, Gibbon & Co, 38 Barton Arcade, Deansgate, Manchester, 3.
Menhinick, William Frederick, with A. A. Lowe (A. Assheton Lowe & Co), 19A Coleman Street, London, EC2.
Mickle, John Morris, with Glass & Edwards, 3 Stanley Street, Liverpool, 1.
Middleton, Kathleen Shearman, with W. Ronald Coope & Son, Albion Chambers, King Street, Nottingham.
Minter, Walter Harold, with *Spain Brothers, Dalling & Co, 1 Pavilion Buildings, Brighton, 1.

Montgomery, Thomas Desmond, with *Peat, Marwick, Mitchell & Co, 24 Fenwick Street, Liverpool, 2.
Moon, Frank Albert, with Thornton & Co, 54 Castle Street, Liverpool, 2.
Moore, James Kirby Louis, with Broads, Paterson & Co, 1 Copthall Close, Moorgate, London, EC2.
Morris, Edward Antony, with Wenham Brothers & Co, 21 Bennett's Hill, Birmingham, 2.
Morris, Lewis John, with T. I. Williams (T. Ivor Williams & Co), 30 Fitzroy Square, London, W1.
Moss, Victor Robert, with *R. D. Munro & Co, 20 and 21 Lawrence Lane, Cheapside, London, EC2.
Moulton, Kenneth, with Murray, Smith & Co, Bridge House, London Road, Northwich, Cheshire.
Moyes, Kenneth Meek, with Brown & Piper, 56 John Street, Sunderland.
Mullin, Terence Kevin, with *Cooper Brothers & Co, 14 George Street, Mansion House, London, EC4.
Mulryan, Francis Gerard, 2 Pinnington Road, Manchester, 18.
Munyard, Basil John, with *Barton, Mayhew & Co, Alderman's House, Bishopsgate, London, EC2.
Murfin, Eric John, with J. B. Streets & Co, 9 Beaumont Fee, Lincoln.
Murrell, Arthur Rowarth Reginald, with *Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London, EC2.

Neatham, Norman, with Edwin Bradshaw & Son, 3 Springfield Street, Warrington.
Nichols, James Arthur Bowes, with Cooper-Parry, Hall, Doughty & Co, 102 Friar Gate, Derby.
Nicholson, John Lomax, with *J. B. Nicholson, Station House, Amersham Hill, High Wycombe.

Oliver, John Alfred, c/o Reginald L. Tayler, Hounsfield & Co, Coventry House, 3 South Place, London, EC2.
Onslow, Arthur Alan Maxwell, B.A., with B. K. Fletcher, Broadmead House, 21 Panton Street, London, SW1.
Ortmans, Derrick Horace, B.A., with *Hill, Vellacott & Co, Law Courts Chambers, 33–34 Chancery Lane, London, WC2.

Packington, Raymond Edwin, with Baker, Sutton & Co, Eldon Street House, Eldon Street, London, EC2.
Palk, Kenneth Leonard, with Nevill, Hovey, Smith & Co, 44 Thorn Park, Mannamead, Plymouth.
Pampel, Norman Natham, with H. C. Rudolf (H. C. Rudolf & Co), Balfour House, Finsbury Pavement, London, EC2.
Parker, Albert William, with Edward Bedell, James & Co, 17 Brazennose Street, Manchester, 2.
Parker, Leslie Charles John, with *H. Barrett, Son & Taylor, 131 High Street, Ilfracombe.
Parren, Derek Grant, with McPherson, Timmins & Ednie, 7 St Paul's Square, Bedford.
Parsloe, John Stanley, with Raymond Wells, Osborne & Co, Lloyds Bank Chambers, East Grinstead, Sussex.
Parsons, Leslie Charles, with Farrow, Bersey, Gain, Vincent & Co, 53 New Broad Street, London, EC2.
Partington, Derek Woodfield, with T. E. Milligan & Co, Chronicle Buildings, 74 Corporation Street, Manchester, 4.
Pausey, Kenneth John, with Wells & Partners, Eagle House, Jermyn Street, London, SW1.
Payne, Guy Weston, with Randall & Payne, 4 Rowcroft, Stroud, Gloucester.
Pearson, Edward, with R. F. Miller & Co, Ramsden Square, Barrow-in-Furness.
Peters, Desmond Burie, The Kennels, Whittlesford, Cambs.
Pillar, Geoffrey Walter, with W. M. Baxter (W. M. Baxter & Co), Park House Chambers, Princess Square, Plymouth.
Platt, Philip Seville, with *Dutton, Armstrong & Co, Chancery Chambers, Brown Street, Manchester, 2.
Pledge, Frederick Herbert, with Brooks & Co, 58 Victoria Street, London, SW1.
Porter, Roland Richard, with Marreco, Ridley & Heslop, 10 New Court, Lincoln's Inn, London, WC2.
Powell, David, with Williams, Taylor & Co, 11 Peter Street, Manchester, 2.
Prevett, Rex Arthur Christie, 75 Gaskell Street, London, SW4.
Prince, Edwin Stanley, with H. Waissen Wilson & Co, 20 Copthall Avenue, London, EC2.
Princep, Clifford Bert, with *Pearson, Blower & Co, 4 Princess Street, Wolverhampton.
Pugh, Eric, with Clay, Russell & Co, 24A Coton Road, Nuneaton.
Pugh, Norman, with H. W. Denman (H. W. Denman & Co), Castle Gate Chambers, Castle Gate, Nottingham.
Pyne, Arthur Frederick, with Silver, Altman & Co, Napier House, 24–27 High Holborn, London, WC1.
Pyne, Henry David, 3 Elmhurst Drive, South Woodford, London, E18.

Ramsden, Ronald Charles, with *Whinney, Smith & Whinney, 26 Pall Mall, Manchester, 2.
Raymond, John Gregson, with Warmsley, Henshall & Co, 29 Eastgate Row, North, Chester.
Redhead, Donald John, with Hope, Agar & Co, Pinners' Hall, Austin Friars, London, EC2.
Reid, Ernest Heath, with Farrow, Bersey, Gain, Vincent & Co, 53 New Broad Street, London, EC2.
Remington, Robert Charles, with Angus Scott & Co, 9 Basinghall Street, London, EC2.
Ribbens, Dennis, with Smith & Earle, 49 Queen Victoria Street, London, EC4.
Richards, Ralph Henry Arthur, with Henry Malpas & Son, 5 Hill Street, Bristol, 1.
Richards, William John Anthony, with Ware, Ward & Co, 21 Cathedral Yard, Exeter.
Richardson, Edwin, with J. Jackson Saint & Co, 22 Lowther Street, Carlisle.
Ridgway, William Reginald, with *Asbury, Riddell & Co, 7 The Square, Shrewsbury.
Rigg, James Arthur, with Albert Bell & Allan, St Nicholas Chambers, Amen Corner, Newcastle upon Tyne, 1.
Rigsby, George Arthur, with Somerset Cowper & Co, 199 Piccadilly, London, W1.
Roberts, Robert John Michael, with *Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London, EC2.
Roberts, Robert Lunt, with H. Senogles, Arvonia Buildings, Bangor.
Rogers, Guy Hilary Kenelm, with Turquand, Youngs & Co, 19 Coleman Street, London, EC2.
Rogers, Philip Fergus, with Edmund D. White & Sons, London and Lancashire Chambers, 45A Dale Street, Liverpool, 2.
Rogers, William Peter Lionel, with *Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London, EC2.
Rohan, Jean Hervé, B.A., with Kemp, Chatteris & Co, 1 Throgmorton Street, London, EC2.
Rose, Philip, 12 Gladstone Park Gardens, London, NW2.
Ross, Lionel Jack, with Pridie, Brewster & Gold, 61 and 62 Gracechurch Street, London, EC3.
Rowley, Robert Austen, with John Rowley & Co, 20 Friar Lane, Leicester.
Rowling, Gordon Irving, with Alexander, Sagar & Co, 31 Clarendon Road, Leeds, 2.
Rutherford, John Thomas, with L. Moore (Laurence Moore & Co), 14 Pall Mall, London, SW1.

Schollar, Joseph Way, 6 Walcot Gardens, Kennington Road, London, SE11.
Schooling, Eric Cecil Frederick, with J. Jackson Saint & Co, 22 Lowther Street, Carlisle.
Scott, Thomas Alexander, 121 Bolam Street, Newcastle upon Tyne, 6.
Seal, Alan John, with C. R. Jeffreys & Co, 49 Leadenhall Street, London, EC3.
Seales, Matthew John, with *Riddell, Stalker & Co, Clayton Chambers, 61 Westgate Road, Newcastle upon Tyne, 1.
Sergeant, John Jefcoate Ross, with Stanley Blythen & Co, 12 Low Pavement, Nottingham.
Shaw, William George, with W. H. Shaw & Sons, Market Place, Dewsbury, Yorks.

Sheeres, Timothy Gordon, with Edward Moore & Sons, Thames House, Queen Street Place, London, EC4.
Shields, Robert Boris, 36 Gurney Drive, London, N2.
Shuttleworth, John Fergusson, with Cooper & Cooper, 27 and 28 Finsbury Square, London, EC2.
Simpson, Gordon Stanley, with Victor Walton & Co, 26 and 27 Bond Street, Leeds, 1.
Smith, Alan Louis Pottier, with P. D. Leake & Co, 1 Cornhill, London, EC3.
Smith, Douglas, 'Runswick', The Crescent, Kenton Bank Foot, Newcastle upon Tyne, 3.
Smith, Kenneth Ridley, with Graham, Proom & Smith, 2 Saville Place, Newcastle upon Tyne, 1.
Smith, Richard John, with *Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London, EC2.
Smits, Leonard Peter John, with Holden, Howard & Co, 3 Abchurch Yard, London, EC4.
Smyth, James Rowe, 19 Sandileigh Avenue, Knutsford, Cheshire.
Snowden, Kenneth George, with W. G. Wallwork, 9 Lune Street, Preston.
Snowden, William Arthur, with E. K. Locking (E. Kenneth Locking & Co), Corporation Chambers, Trinity House Lane, Hull.
Somerville, Donald Kennedy, with Harker, Holloway & Co, Regent House, 89 Kingsway, London, WC2.
Sparrow, John Owen, with Sharp, Parsons & Co, Suffolk House, 5 Laurence Pountney Hill, Cannon Street, London, EC4.
Spencer, Christopher Maurice, with *Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London, EC2.
Spencer, Eric Bryan, 24 Frances Road, Handsworth, Birmingham, 19.
Springbett, James Sydney Linom, with A. F. Christlieb (A. F. Christlieb & Co), 81 Cannon Street, London, EC4.
Starkey, Charles Stuart, with Price Waterhouse & Co, 31 Mosley Street, Newcastle upon Tyne, 1.
Stevens, David Spenser, with Lord, Foster & Co, Rex House, 38 King William Street, London, EC4.
Stewart-Sandeman, Nairne, with Blackburns, Robson, Coates & Co, 59 New Cavendish Street, London, W1.
Stockitt, Philip Bernard, with H. W. Fisher & Co, Dudley House, 36 Southampton Street, London, WC2.
Stone, Ronald Timothy James, with Andw. W. Barr & Co, Abbott's Chambers, 202 Bishopsgate, London, EC2.
Stott, John Philip, with Bryce Hanmer & Co, 1 and 3 Stanley Street, Liverpool, 1.
Stretton, Derek Bernard, with W. Y. Thomson & Co, 16–18 Clapham Junction Approach, London, SW11.
Stuttard, Ronald, with Kneeshaw, Moffatt & Co, Bank Chambers, 7 Hargreaves Street, Burnley.
Sydney, Louis Ivan, with Bailey, Page & Co, A4 Queen Insurance Buildings, 10 Dale Street, Liverpool, 2.

Tayal, Yashbir Singh, B.COM., 'The Moorings', Church Road, Great Bookham, Surrey.
Taylor, Reubin Derek, 25 Oakdene Park, Finchley, London, N3.
Taylor, Robin Ardern, with Oldham, Holland & Co, 63 and 64 New Broad Street, London, EC2.
Thickett, James Anderson, with Fawley Judge & Easton, 1 Parliament Street, Hull.
Thomas, Raymond Vernon, with Charles Richards & Co, 12 Cherry Street, Birmingham, 2.
Thomas, Richard Arnold, with Tribe, Clarke & Co, Albion Chambers, Small Street, Bristol, 1.
Thompson, Dennis William, with Attlee Edge & Lambert, 163 Hamstead Road, Handsworth, Birmingham, 20.
Thompson, Stanley Albert, with W. Broad (Waller Broad & Co), 30 Fleet Street, London, EC4.
Thorndike, Cyril William, with Fogg, Tatlow & Johnson, 22 Trinity Square, Llandudno.
Thorne, Reginald William, Yew Tree Cottage, Ockham, Woking, Surrey.
Thurston, Ernest Albert, with Jenks, Percival, Pidgeon & Co, 14 Finsbury Circus, London, EC2.
Tombs, Frederick George, with *Wrigley, Cregan Todd & Co, 10 and 12 Copthall Avenue, London, EC2.
Townend, Peter William, with Armitage & Norton, Station Street Buildings, Huddersfield.
Townsend, Jack, with Edward Denton & Son, 30 Exchange Street East, Liverpool, 2.
Udy, John Francis, with Lucas & Sharpe, 30 Market Place, Boston, Lincolnshire.
van Zwanenberg, Michael, with *Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London, EC2.
Walker, Brian Cecil, with Keller Snow & Co, 54 Quarry Street, Guildford, Surrey.
Wallace, Ian Alastair, with Ashley Wallace & Co, 58 West Street, Brighton, 1.
Waller, William Richard, with *Barton, Mayhew & Co, Alderman's House, Bishopsgate, London, EC2.
Walton, Ian Watson, c/o Thomson McLintock & Co, 33 King William Street, London, EC4.
Wand, Keith Malcolm Ovelin, with Kendall, Galloway and Smith, 79 High Street, Winchester.
Warlow, John Medcalf, with *Wilkinson & Freeman, Starkie House, Starkie Street, Preston.
Webb, Philip Dalton, B.A.(COM.), with Webb & Hall, 90 Deansgate, Manchester, 3.
Webb, Terence John, with *Larking, Larking & Whiting, 6 High Street, March, Cambridgeshire.
Webster, Anthony Philip, with *Layton-Bennett, Billingham & Co, 23 Blomfield Street, London Wall, London, EC2.
Weingott, David John, with *Casson, Beckman, Rutley & Co, Callard House, 74A Regent Street, London, W1.
Welchman, Anthony David, with *Monahan & Co, 34 Regent Circus, Swindon.
Wells, Donald Rex, with Deacon, Guild & Co, Halifax Chambers, High Street, Coventry.
West, Neville Ernest, M.A., c/o West, Barrett & Co, 41 Beach Road, Littlehampton, Sussex.
West, William Price, with Barnes & David, 3 Welford Road, Leicester.
Wharram, Matthias Stephen, with *Lawson & Walker, Cheapside Chambers, 23 and 25 Cheapside, Bradford.
White, Brian, with Frank Brown & Walford, Finkle Chambers, Stockton-on-Tees.
White, William Alfred, with Tubbs, Clarke & Co, 1A Broadway Chambers, 1281 High Road, Whetstone, London, N20.
Whitehouse, Brian Cedric, with Impey, Cudworth & Co, 5 Lower Temple Street, Birmingham.
Whiting, Robert Lawrence, with M. Sheppard (Maurice Sheppard & Co), 3 High Street, Maidenhead.
Willis, Norman Geoffrey, with Poulsom & Co, National Bank Building, 24 Fenwick Street, Liverpool, 2.
Wilsdon, Richard Albert, with Wenn, Townsend & Co, 55 Cornmarket Street, Oxford.
Wilson, Samuel Sidney, with *Robert Shacklady & Co, Kent House, 87 Regent Street, London, W1.
Winter, Anthony Cathcart, with John M. Winter & Sons, 39 St James's Street, London, SW1.
Witts, Ernest John, with Greene, Clements & Co, 20 Bloomsbury Square, London, WC1.
Womersley, Eric, with F. V. Lambert (Lambert & Co), 34 Clare Road, Halifax.
Wood, Frederick George, with West, Wake, Price & Co, 6 Broad Street Place, London, EC2.
Wood, James Landless, T.D., with Rawlinson, Hargreaves, Smith & Wood, 7 Grimshaw Street, Burnley.
Wood, Russell Dillon, with Reeves & Young, 39 St Margaret's Street, Canterbury.
Wright, John Thomas, with *R. M. Blaikie & Co, 27 High Street, High Wycombe, Bucks.
Wyatt, Ernest William, with Sydenham, Snowden, Nicholson & Co, 27 Martin Lane, Cannon Street, London, EC4.

* *(Not in England or Wales)*

Mittal, Avtar Krishan, with *Lovelock & Lewes, 4 Lyons Range, Calcutta.

NOTES AND NOTICES

Personal

MESSRS F. R. TAYLOR & SON, Chartered Accountants, of 5 Highworth, Liverpool Road, Worthing, announce with regret the death of Mr F. E. TAYLOR, A.C.A., principal of the firm.

MESSRS PRIDIE, BREWSTER & GOLD, Chartered Accountants, announce that owing to lack of accommodation they have transferred their offices to 2–3 Warwick Court, Gray's Inn, London, WC1. Telephone: Chancery 2581 (3 lines).

MESSRS EDWIN COLLIER & CO, Chartered Accountants, of Westminster Bank House, 3 York Street, Manchester, 2, announce that Mr GEORGE ELDER, F.C.A., after sixty-two years' connexion with the firm, thirty-one years as a partner, has decided to retire on March 24th, 1951. The practice will be continued under the same name as formerly, by Mr FRED BATTERSBY, F.C.A., and by Mr W. F. HAYWARD, A.C.A., who for a number of years has been a senior member of the staff.

MESSRS HAYS, AKERS & HAYS, Chartered Accountants, of 1 Queen Victoria Street, Mansion House, London, EC4, announce that Mr WILLIAM NORMAN HUNTER SMART, C.A., has been admitted to the partnership as from April 1st, 1951.

Professional Notes

Mr K. C. Riggs, A.C.A., has been appointed accountant of Sir J. L. Hulett & Sons Ltd, Hulett Buildings, West Street, Durban (P.O. Box 248), with effect from March 1st, 1951.

Mr John Wadsworth, Assistant Secretary to the Institute of Municipal Treasurers and Accountants, has been appointed Assistant Secretary to the North Western Gas Board.

Obituary

FRANCIS EMERSON TAYLOR, A.C.A.

It is with regret that we record the death, at the early age of 47, of Mr Francis Emerson Taylor, A.C.A., principal of Messrs F. R. Taylor and Son, Chartered Accountants, of Worthing, Sussex.

Mr Taylor was admitted an Associate of the Institute in 1946, after he was released from the Royal Air Force in which he served as Flight Lieutenant.

He was a member of the Heene Lodge of Freemasons, and leaves a widow and three young sons.

The Chartered Accountants' Benevolent Association

MEETING OF BOARD OF GOVERNORS

The annual meeting of the board of governors of The Chartered Accountants' Benevolent Association will be held at The Institute of Chartered Accountants, Moorgate Place, London, EC2, at 2.15 p.m. on Thursday next, March 29th.

In Parliament

PENSIONS: INDIAN TAXATION

Colonel CROSTHWAITE-EYRE asked the Chancellor of the Exchequer what action he has taken to prevent pensions paid in sterling to Britons, subsequent to the transference of power in India, being subject to taxation in India and in this country.

Mr GAITSKELL: Relief for Indian tax will be available in accordance with the provisions of Section 36 of the Finance Act, 1950, and the effect should be that in most cases pensioners will be relieved of any burden from double taxation.

Hansard, Mar. 13th, 1951. Written Answers, Col. 137.

INCOME TAX: CALLED-UP RESERVISTS

Mr HOUGHTON asked the Chancellor of the Exchequer whether the pay of Class Z reservists during their fifteen days' training will be liable to income-tax and, if so, what arrangements will be made for tax to be deducted under pay-as-you-earn.

Mr GAITSKELL: This pay will be liable to income-tax and should be included in the recipient's income-tax return. It will not however be possible to arrange for tax to be deducted under pay-as-you-earn when the pay is issued.

Hansard, Mar. 13th, 1951. Written Answers, Col. 138.

The Institute of Actuaries

Mr F. A. A. Menzler, C.B.E., has been re-elected President of the Institute of Actuaries. Other honorary officers who have been elected for the 1951-52 session, which commences in June, are: *Vice-Presidents:* Messrs W. Perks, L. Brown, A. T. Haynes, and C. F. Wood. *Treasurer:* Mr G. H. Recknell. *Secretaries:* Messrs H. J. Tappenden and S. F. Isaac.

An ordinary general meeting of the Institute is to be held on April 2nd at 5 p.m., in the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2, when a paper entitled 'Group life and pensions scheme, including group family income benefit schemes', will be presented by Mr G. W. Pingstone, F.I.A. A limited number of copies of the paper is available to members upon application to the assistant secretary, at Staple Inn Buildings, Holborn, WC1.

The University Scheme

ASSOCIATION OF UNIVERSITY TEACHERS OF ACCOUNTING

Professor W. T. Baxter, B.COM., C.A., of the London School of Economics, has succeeded Professor Donald Cousins, B.COM., A.C.A., as chairman of the Association of University Teachers of Accounting, and Mr C. A. Smith, LL.M., F.C.A., of Sheffield University, has succeeded Mr David Solomons, B.COM., A.C.A., as honorary secretary.

In his foreword to the third issue of the Association's newsletter which has recently been published

Professor Cousins, the retiring chairman, says that:

'In many universities the peak of post-war recruitment now seems to have passed, and following it comes a slight decline in the average student age due to the gradual disappearance of the ex-service element. We shall thus be dealing increasingly with undergraduates who enter straight from school or college. My impression is that the educational standard required of applicants in all centres is being well maintained, and this is as it should be.

'So far as concerns our own Association, the important thing is that the scheme is operating and has definitely come to stay, and I imagine the majority of us are getting throughout the session inquiries, not only for individual points of detail, but also on the wider issues involved.'

At December 31st, 1950, the Association had 48 members, consisting of 16 full-time teachers, 25 part-time teachers, 5 former teachers and 2 honorary members. These are drawn from no fewer than 23 universities or colleges in England, Wales, Scotland, and overseas; a list of names of members is also published. The President of the Association is Lord Eustace Percy, LL.D., D.C.L., P.C.

American Institute of Accountants

Mr John L. Carey, Executive Director of the American Institute of Accountants, has announced that over two thousand certified public accountants will gather in Atlantic City on October 7th to 11th next for the sixty-fourth annual meeting of the Institute. Originally scheduled for Washington, D.C., the meeting was moved because of overcrowding in the capital, Mr Carey explained.

'The theme of this year's annual meeting will be the role of accounting in a defence economy', he said. Several Institute committees, he added, are already working closely with government agencies on accounting matters. The meeting of the national professional society of C.P.A.s will be in Chalfonte-Haddon Hall.

Liverpool and Manchester Students' Residential Course

The fourth students' residential course arranged by the Education and Joint Tuition Committees of the Liverpool and Manchester Societies of Chartered Accountants is to be held, once again, at Burton Manor, a country mansion near Chester, and will open on April 2nd.

There are to be two sessions, one between April 2nd and 7th for Intermediate students, and the other from April 7th to 12th for Final students. Each session is limited to forty-five students, but it will be possible for an additional number to attend daily as non-resident students at a reduced fee.

Chartered Accountants' Golfing Society

The 1951 programme of the Chartered Accountants' Golfing Society is as follows:

May 3rd: Annual meeting to be held at Walton Heath Golf Club.

May 26th: Match against the Solicitors' Golfing Society to be held at Sunningdale Golf Club.

June 8th: Summer meeting to be held at Woking Golf Club.

June 9th: Match against the Bar Golfing Society to be held at Woking Golf Club.

June 28th: 'Wood Cup': Joint meeting with the Scottish Chartered Accountants in London to be held at Sunningdale Golf Club.

Sept. 29th to 30th: Autumn meeting to be held at Aldeburgh Golf Club. Provisional accommodation has been reserved at the White Lion and Brudenell Hotels.

Full details of the above meetings will be sent to members in due course.

Any member of the Institute or articled clerk wishing to join the Society should apply to the Honorary Secretary, Mr D. V. House, 3 Lombard Street, EC3; Mansion House 9791. The subscription rates are as follows: One year, 5*s*, five years, £1 1*s*, ten years £2 2*s*, life subscription £3 3*s*.

National Insurance Contributions

Class Z and Other Reservists

The following announcement has been issued by the Ministry of National Insurance:

Employers' contributions under the National Insurance scheme will be paid by the Service authorities for reservists and members of the auxiliary forces called up for training. The employee's contribution will be deducted from his service pay.

Army and Air Force reservists and auxiliaries called up for fifteen days or three months should not take their National Insurance cards with them, but should take a note of their national insurance number which they can get from their employers. The cards should be kept by employers and exchanged at the usual times.

Officers and men recalled to the Navy or R.A.F. for eighteen months' service must take their National Insurance cards with them.

Television Licences

During January 1951, the number of current television licences increased by nearly 72,000, a larger increase than in any month since the B.B.C. Television Service was resumed in 1946. The approximate total number of wireless licences on January 31st was 12,322,150, of which about 657,950 were for television.

Friendly Societies

The Registry of Friendly Societies has issued a statistical summary[1] for the years 1939–49, compiled from the annual returns of societies and branches registered under the Friendly Societies Acts, 1896–1948.

The combined statement on friendly societies and branches shows that the 15,968 on the register for 1949 were 3,461 fewer than in 1939, and the number of members had dropped to 7,253,388 from 8,307,491 in 1939. However, the total funds stood at £207,691,000 as against £155,596,000 ten years earlier.

The total in 1949 of all societies registered, which include friendly societies, collecting societies, working men's clubs and benevolent societies, numbered 18,893 compared with 22,316 in 1939. Nevertheless, membership has risen by 5,971,624 in the ten-year period to 41,940,456, and the total funds have increased from £253,779,000 to £398,733,000.

[1] Friendly Societies: Statistical Summary, 1939–49. H.M.S.O. 4*d* net.

The Hospital Service Plan

The voluntary London Association for Hospital Services, under the direction of a Council of fifteen, nominated by the Royal Colleges of Physicians, Surgeons, Obstetricians and Gynaecologists, the British Medical Association, and King Edward's Hospital Fund, continues to provide, under its Hospital Service Plan, financial facilities for those desiring treatment in hospital private wards and for those who desire home-nursing attendance.

The Hospital Service Plan, successful for many years, is a complementary scheme to the National Health Service, in that it allows those otherwise unable to meet the cost to enjoy the convenience of private accommodation in hospital or nursing home. Any person under 60 years of age can join the scheme, which is open to residents of Great Britain and Northern Ireland, while benefits are payable for treatment in hospitals, nursing homes and sanatoria anywhere in the world.

Particulars may be obtained from the Secretary of the Association at Tavistock House (South), Tavistock Square, London, WC1.

Recent Publications

PRACTICAL SECRETARIAL WORK, by Henry I. Lee, A.C.I.S., and William N. Barr. Third Edition, by Percy J. W. Daniell, A.C.I.S., F.C.C.S., F.R.ECON.S. xv+399 pp. 8½×5½. 21*s* net. Sir Isaac Pitman & Sons Ltd, London.

GUIDE TO ECONOMICS, A Manual for Students, by F. H. Spencer, D.SC., LL.B., F.S.S., F.R.ECON.S. Sixth Edition, by Ronald Ogden, M.A. xii+226 pp. 7½×5. 7*s* 6*d* net. Sir Isaac Pitman & Sons Ltd, London.

LEWIN ON TRUSTS, Fifteenth Edition, by R. Cozens-Hardy Horne, Barrister-at-Law. clxxviii + 1010 pp 10 × 6½. £5 5*s* 0*d* net. Sweet & Maxwell Ltd, London

ELEMENTARY MERCANTILE LAW, Eighth Edition, by Oswald Griffiths, M.A., LL.B., Barrister-at-Law. xv + 263 pp 9 × 6. 15*s* net. Textbooks Ltd, London.

COST ACCOUNTING AND ANALYSIS, by Carl Thomas Devine PH.D. xv+752 pp. 8½×5½. 37*s* 6*d* net. Macmillan & Co Ltd, London.

Our Contemporaries

ACCOUNTING RESEARCH. (January.) 'American Reports and Accounts – Some Lessons for British Accountants' by John R. Lane.

THE INCORPORATED STATISTICIAN. (December 1950.) 'Business Statistics', by John Ryan, C.B.E., M.C.; 'Investigations in Random and Systematic Sampling', by Dr D. J Finney; 'The Organization and Operation of an Industrial Statistical Department', by D. R. Read.

THE AUSTRALIAN ACCOUNTANT. (Melbourne.) (December 1950.) 'Holding Companies', by G. E. Fitzgerald, B.A. B.COM., F.I.C.A.; 'A Survey of Office Efficiency', by K. C Keown.

Other Publications Received

THE CONTROLLER. (Brattleboro, Vermont.) (January.)

TAX BULLETIN. (January–February.) (Toronto.)

THE NEW YORK CERTIFIED PUBLIC ACCOUNTANT. (January.) (New York.)

Our Weekly Problem

NO. 38: ROWING MEN

'That blotting-paper pink tie you are wearing looks a little out of character', commented Mr U. N. Ravel. Mr L. U. Sidate, F.C.A., looked pained. He and his friend were on their way to the Oxford and Cambridge enclosure to watch the boat race.

'It happens to be the tie of the most exclusive rowing club in the world', said Mr Sidate.

'I never knew you were a rowing man.'

'Only college rowing; but we were lucky. There were ten of us and but for David who was our stroke there were three who could row only on stroke side four who could row only on bow side, and my brother and I who fortunately could row on either. We tried a different crew each time we went out – twice a day – before we got it fixed.'

How many days did it take to select the crew?

The answer will be published next week.

ANSWER TO PROBLEM NO. 37: HASH

If T^2 is the time in the instructions and R the correct Roasto number, the first cooking takes T minutes. The 'basis' is RT^2 so for the second cooking the time is $\frac{RT^2}{T} = RT$.

The total cooking time is therefore $T + RT$ i.e. $T^2 = 5 + T + RT$.

$\therefore T^2 - T(R + 1) - 5 = 0$

$\therefore R = 3$ and $T = 5$

The time in the instructions is thus 25 minutes.

The Accountant

ESTABLISHED 1874

MARCH 31ST 1951 VOL. CXXIV NO. 3980

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THE POPULATION CENSUS

ON April 8th, the fifteenth Census of Population is to be taken in Britain. Although the law allows such a census to be held every five years, events have been such that it is twenty years since householders were last asked to complete census forms. There is little opposition nowadays to this inquiry; it is generally recognized that intelligent and efficient administration must have accurate statistical information as its foundation.

The questions which will be asked in the 1951 enumeration resemble closely those of twenty years ago. Additionally, information is being sought which should give a picture of housing conditions and amenities such as bathrooms; which will enable occupations to be correlated with education, and which will throw some light upon fertility in marriage. In Britain, it has long been the practise to place upon the citizen the major responsibility for the correct completion of the form; enumerators may give advice and help. In America on the other hand, they have the prime responsibility for the census; they fill in the schedules from information obtained in interviews.

The pamphlet, 'The Census Explained' issued by the General Register Office[1], puts the cost of taking the census and publishing its findings at roughly sixpence per head of population. It is interesting to note that the use of sampling survey techniques have been considered, but rejected in favour of a complete enumeration. A one-per-cent sample of the returns will, however, be analysed and this will provide much-needed figures well in advance of the final results. The latter may well take several years to produce. Arrangements have been made to issue 'Preliminary Reports' derived from the whole of the schedules within a few months of the census. These reports will give information, *inter alia*, on the number of persons of each sex in each county, borough, urban or rural district. The relevant tables have been prepared beforehand, and such information as that relating to the acreage of each area, and the population, recorded in the 1921 and 1931 censuses, has already been entered. For the more detailed information which is to be derived from the inquiry, coding and punching will be done county by county and the relevant county tables released for publication first. After all the counties have been dealt with, there will be issued general volumes on housing, occupation, industries and so on. And finally will come the 'General Report'.

When all this enormous mass of information has been issued, there will be accessible to any public authority or private individual an immense collection of indisputable facts about the citizens of this country and their social conditions.

[1] H.M.S.O., 6d. net.

INCOME TAX CONSOLIDATION

TWENTY-FIVE years ago, after years of labour, a draft income-tax codification Bill was produced and has since languished in the archives. Popular clamour for income-tax reform, increased by the high rates of tax of the last ten years, has now succeeded in inducing the Government to act. Already two committees and a Royal Commission have been appointed and the report of the first committee is to be published on April 6th next. At the same time, consolidation of the existing scattered provisions is being proceeded with. On the day before Good Friday the Stationery Office published, in the form of a White Paper, a draft Income Tax Consolidation Bill.[1] A short preliminary note to the draft explains that no attempt has been made to incorporate the result of decided cases, or to give statutory effect to non-statutory practice, or to correct anomalies or remove ambiguities. In other words, the statutes have been amalgamated into one long statute, with improvements in wording only where such improvement would not alter the law. Some omissions have been possible, notably of the sections of past Finance Acts fixing rates and allowances of former years, while the remainder of the statute law has been arranged in more convenient order. Profits tax legislation has been omitted except in the small number of cases where it is inextricably mixed with income-tax. On the other hand, certain provisions of Acts other than Finance Acts have been included, such as Section 3 of the Married Women (Maintenance) Act, 1949, which deals with the non-deduction of income-tax from certain maintenance payments. A table of comparison at the end of the White Paper sets out the particular sections which it is proposed to repeal, and shows where they are dealt with in the draft Bill.

The Bill contains 529 clauses and 25 schedules. The clauses are grouped into 26 parts, the larger of these parts being divided into separate chapters. Part IX, for instance, deals with sur-tax and has three chapters, one headed 'General', the second 'Miscellaneous Special Provisions', and the third 'Sur-tax on Undistributed Income of Certain Bodies Corporate'. This third chapter is again subdivided into two parts, the first, of 12 clauses, containing the principal provisions, and the second, of 8 clauses, dealing with investment companies. The convenience of such an arrangement need not be emphasized. Even here, however, it is necessary to refer to another part, for the legislation directed against settlements is contained in Part XVIII.

The complicated rules which cover the deduction of tax by an occupier from his rent are also split up. Some are dealt with in the part devoted to Schedule A, some in the part dealing with what are now Rules 19 and 21, and some in the 7th Schedule, which deals with powers of recovery of tax from landlords. Incidentally, it will be noticed that the schedular classification of income has been retained, although it has been promoted from a schedule to the body of the Bill.

The Bill's short title is The Income Tax Act, 1951, although it is expressed to come into force on 6th April, 1952. The preliminary note referred to explains that if the Bill is to be passed in time for this date, it must be introduced in Parliament in the autumn and passed before the end of the year, to give time for the preliminary administrative work. Any amendments made by the coming Finance Act of 1951 would of course be incorporated—including we hope, any reforms proposed by the MILLARD TUCKER Committees on the taxation of trade profits and superannuation.

When the proposals of the Royal Commission on Income Tax are eventually published, assuming that they are adopted by the Government of the day, the task of drafting a new income-tax code will be greatly simplified and speeded by the existence of a consolidated Act.

In the meantime interested members of the public can give useful help. It cannot be expected that the present draft Bill, covering such an enormous field, can be flawless, despite its limited aim. Suggestions for its correction or improvement are invited and should be sent to the Secretary, Board of Inland Revenue, to reach the Board not later than the end of July 1951. One possible error is contained in Clause 225 (5), which deals with marginal life insurance relief. It seems that the proviso to this sub-clause does not accurately reproduce the existing law.

[1] Cmd. 8174, H.M.S.O., 10s.

THE ACCOUNTS ORGANIZATION
IN A LARGE INDUSTRIAL CONCERN

by E. H. DAVISON, A.C.A.

In general terms the author describes the main considerations which would normally arise in connexion with the accounts organization. Accounting arrangements are subject to company policy and are made to suit the specific requirements of individual concerns. Company policy will, therefore, determine the form and scope of the accounts organization which should, however, in all cases be directed towards giving management a better control over the business and consequently towards looking forward rather than back.

Structure of the Accounts Department

THE title of this paper contains two expressions which need definition. First, by 'accounts organization' is meant not 'the job of organizing accounts' but 'the structure of the accounts department'. In a large industrial concern the work of organizing an accounts department as a new venture is clearly so unusual as to be outside the scope of experience of all but a very few; on the other hand, all concerns of this type have an accounts department which is constantly under review and reorganization to meet changing needs. The 'accounts department' is by no means a uniformly-definable unit. Accounting functions, while they are common to all businesses, are not necessarily confined to the 'accounts department' which, on the other hand, is often concerned with matters lying outside the field of what are normally considered to be accounting matters. In some cases the cashiers form part of the accounts department, in others they do not; invoicing, statistics (particularly those produced by punched-card methods), 'costs', these are all functions carried out in large industrial concerns which may or may not be regarded in individual cases as within the scope of the accounts department.

'Large Industrial Concern'

The second expression in the title which needs further clarification is 'large industrial concern'. 'Industrial' conveys the idea of manufacture and sale rather than only buying and selling, but there is no one scale by which we can measure how 'large' a concern may be. The amount of capital invested in equipment or in stocks, the number of employees, the extent of its interests, the number of its plants, or the scale of output may all qualify a business for the description 'large', but the type of organization may in each case vary widely, being designed (or having grown up) to suit the special needs of the business.

It is obvious, therefore, that with so large a variation, not only in the scope of the accounts department but in the type of business concerned, it is possible to consider the accounts organization only in the most general way and to draw conclusions only regarding general rules of practice.

In order to have some idea in mind about the type of concern with which we have to deal, let us assume that it is a public company with several factories at home, involving two or more types of process (virtually separate industries) and several manufacturing subsidiary companies at home and abroad. This is not unusual. For present purposes it is proposed to exclude from consideration the 'service' sections which may (or may not) come under the responsibility of the accounts department, such as invoicing, wages, cash duties, and sales statistics. We are left with the functions of recording (book-keeping) and the preparation of accounts and budgets.

A Part of the Company

The significance of the word 'in' in the title of this paper must not be overlooked. The accounts organization in any concern is set up and maintained to be of use to that particular concern, and will take the form laid down (in the case we are considering) by the board. In deciding the size and scope of the accounts organization, the board may normally be expected to have in mind two main considerations:

(*a*) the requirements of the law (notably the Companies Act and the taxing Acts); and
(*b*) the requirements of the business in regard to the essentials of control.

It is usual for the requirements of the business to be considerably wider than the requirements of the law; consequently, if normal business requirements are met the requirements of the law can for all practical purposes be regarded as covered. This is not to say that special analyses

may not be required to meet questions put by the Inspector of Taxes or to produce accounts for publication; such analyses can normally be provided by reference to the records maintained for business purposes and must, for the sake of brevity, be excluded from consideration here.

Business organization normally calls for the division of functions and the delegation of responsibility, both of which increase the difficulty of direct control and create the necessity for some form of indirect control. It is in fact the provision of means of indirect control which is the main function of the accounts organization, and the closeness and frequency of that control, more than anything else, determine the size and scope of the accounts organization.

The closeness of the relationship between accounting and business organization has so far failed to achieve proper recognition in official accounting circles though many accountants individually either in practice as consultants or employed in industry have made material contributions to the question.

The 'accountant' (by whatever title designated) does not normally lay down the board's requirements in the controlling function; he may be asked to advise, and his advice may, quite properly, be disregarded. It is normally his function, however, to set up the system through which the control is to be exercised, and to ensure that the system meets the requirements (no more and no less) and is capable of presenting a 'true and fair' view of the information required.

Control

Before going on to attempt to formulate general rules and consider their implications, some reference to 'control' may seem desirable. It is quite obvious that control of past events is impossible; control can be exercised only in the direction of influencing future events, and consequently business management is (or should be) interested only in the future. The past is only a guide to the future. To the accountant in industry, therefore, 'accounting' has a future projection as well as a past. His records lie in the past, and show the outcome of past decisions; his work should be directed to showing the future outcome of current decisions. This is not to say that an accountant is, or needs to be, a kind of prophet.

There is another aspect of control which is of equal importance. It is too readily assumed that the possession of information leads immediately to control. This assumption has led perhaps more than any other to the vast accumulations of forms, reports, statistics, and other data which today we labour either to read or to produce. It is true that without adequate information control cannot be exercised, but it is equally true and more important that control can be exercised only through persons. In other words, expenses cannot be 'controlled'; only the people who spend money can be controlled by issuing orders and seeing that those orders are carried out. Information upon which the orders are based will emanate largely from accounting records of past events (though also from many other sources) and the supervision of the execution of orders will also to a large extent be made possible by the provision of budgetary statements and comparisons of performance with the budgetary statements, a large part of which are produced by the accounts department.

As control can be exercised only through people, the means of indirect control provided by accounting statements are therefore the more useful the more closely those statements are identified with the persons responsible for the issuing of orders and the execution thereof and the accounting structure must be wholly conditioned by the structure of the business organization.

General Rules

From the major considerations set out above it may be possible to propose three general rules for further examination:

(1) Accounts organization follows business organization.
(2) Past records are of use only as a guide to future action.
(3) Accounting is advisory and informative, not a managerial function.

These points are dealt with under the appropriate headings below.

Business Organization

Businesses fall into no very clearly defined pattern nor are they necessarily entirely logical or symmetrical within themselves. It follows, therefore, that the accounting organization may, through no fault of its own, be asymmetrical and perhaps illogical, that uniformity in accounting statements even within one business is not necessarily desirable, and that subordinate accountants in various parts of the organization – of apparently equal status – will in fact vary greatly in capacity simply because the degree of delegation of responsibility to the managers of equal units may not be the same.

Whatever may be the variations in practice

within a single company in the devolution of responsibility in the organizational structure, the accounts organization must nevertheless attempt to adhere to the main rules of organization. The fact (if that be the case) that the managing director regards himself as directly responsible for the activities of twenty assorted factories each making a different product and selling to a different market need not preclude the accountant of the organization from attempting, for his own purposes, to group factories under more or less logical headings so that his own span of control is not so unreasonably extended. Furthermore, he should be quite clear (which others may not be) about precisely what he expects his subordinate accountants to do on their own responsibility and the matters on which he should be informed or consulted; he should be sure that each of his subordinates knows to whom and for whom he is responsible and he should determine the level at which accounting rules and definitions are to be laid down so that he maintains a reasonable course between personal intervention into the petty cash affairs of every factory and a sort of general *sauve qui peut.*

In this context some reference at least must be made to the dual responsibility of the accountant, particularly the accountant at factory level. For technical purposes he is responsible to the accounts organization headed by the 'chief accountant' by whatever name called. The accounts department is, however, a service department and the factory accountant is placed where he is primarily to serve the factory organization headed by the factory manager to whom also for convenience, if for no other reason, he is responsible for disciplinary purposes. This position may give rise to some misunderstanding unless relations between production and accounting sections of the organization are well maintained. There may be a tendency for production personnel to attempt to lay down accounting rules and for the accountant to wander into the field of management; both these tendencies must be checked and in both cases fundamentally for the same reason – that is, that accounting information must be to the greatest possible extent unprejudiced and unbiased.

Use of past records

It must be appreciated that the records kept to meet the requirements of the law are, by comparison with those required for commercial purposes, simple and restricted. It is furthermore fairly true to state that records directed solely towards the preparation of the annual published accounts of a company are not (once the company has acquired the money it needs) of any direct benefit to the company as a commercial unit and that records maintained for tax purposes might from the same point of view be regarded as a very substantial handicap to industry.

This may be a convenient point at which to refer to two forms of accounting record which provide information of considerable importance but which, unless mentioned, might possibly be overlooked. One of these is the inventory of fixed assets, the other the stock records. The former is frequently regarded as essential to the proper conduct of tax affairs, but it has valuable uses in other directions, notably in the planning of capital expenditure, in the formulation of ideas regarding the useful life of assets, the provision of a record of maintenance costs reflected on the economic use of machinery, and also, if properly used, as a guide to planned maintenance and the conservation of the company's assets.

Stock records are frequently regarded with mistrust by production management, who often incline to the opinion that they are a waste of time and provide information which can be got equally well and more cheaply by other means. Over-elaboration of stock records, as with any other form of paper work, is wrong, but, properly designed, such records can pay for themselves and show a profit in the establishment and maintenance of stock levels, a control over security of stock, the immediate access to stock figures, and the elimination of that anachronism the 'annual stock-taking'.

Both fixed asset records and stock records should, to gain the maximum benefit, be linked with some form of perpetual check.

In a large industrial concern the greater part of the control exercised at the high levels of management is indirect, even remote, and it is fair to say that without a certain minimum of accounting information this control could not be exercised at all. The most effective means of accounting control yet placed in the hands of management is the budget with or without (but preferably with) the use of standard costs.

Function of the Budget

There is considerable uncertainty regarding the function of the budget. In some eyes it is regarded as a sort of target to be aimed at by all those responsible for its implementation; in other eyes it is an attempt at prophecy with no valid purpose behind it. The simplest and most reasonable definition of a budget might truly be laid down as 'an expression of intentions'. A

factory is an expensive plaything and a man who is placed in charge of the operations of a factory may quite reasonably be expected to give some indication of his intentions with regard to it; his budget should provide a statement of his intentions in the light of the circumstances which may reasonably be expected to prevail during the term of the budget. Indeed, it is difficult to see how any plans for capital expenditure can be formulated without complete irresponsibility unless the most careful assessment is made of the possibilities of utilizing it with at least a reasonable return on the money invested.

The budget, and particularly the operating budget, provides the controlling management with an opportunity (*a*) of considering the intentions of the operating management in relation to the assets entrusted to them, and (*b*) with a means of checking the performance of the operating management by reference to its expressed intentions. The usually pessimistic view taken by operating management in regard to profit-earning capacity of the plant already in existence (subsequently falsified by a triumphant 'beating of the budget') can be checked at stage (*a*) and the directions in which performance has fallen short of or exceeded the intention will be laid bare at stage (*b*).

It is clear that the figures composing the budgets at each level of management must be closely related to the personal responsibility of each management. The arbitrary apportionment of expenses, which are directly the responsibility of the managing director, between the budgets of management at lower levels, can serve no useful purpose in that the subordinate management can neither be held responsible for the intention to expend such money nor for close adherence to any such intention. Management at each level must be concerned only with the expenses for which it is responsible either directly or by delegation. The use of standard costs either as a basis for or in conjunction with so-called financial budgets enables the responsibility for expenditure to be placed on management at all levels and, furthermore, provides a convenient means both of achieving flexibility in budgetary methods and of relating the two main aspects of expense analysis, the first of which is analysis by individuals or departments and the second of which is analysis by products.

'Costing'

There is still a tendency to regard 'costs' as being in some way different from 'financial accounts'. The origin of this distinction probably lies far back in history when accounting was regarded more in the light of an inevitable post mortem than a necessary means of control; possibly in the smaller business units prevalent in the nineteenth century this view had some justification. The main function of accounting is now recognized to lie in giving a means of control and fundamentally this is and always was the main object of 'costing'. The identity of the object in each case tends to attract attention to other identities; for instance, it is found that 'costing' is financial, that 'costing' represents merely an alternative analysis of business expenditure (past or future), and that analysis by products is inherently in no way different from the analysis of expenditure by description, departments, or responsibilities. It is, nevertheless, not unusual to distinguish between 'costing' and 'financial accounting' to the extent of assigning the work to two separate departments, even in some cases with responsibilities to different technical divisions of the business. In such cases 'financial accounting' might be the function of the chief accountant, but 'costing' might be regarded as a function of the production manager. There may be special circumstances which make such a practice desirable though these must be rare. The disadvantages are obvious in the multiplication of departments, the duplication of returns, the time wasted in seeking for and explaining differences, and the development of systems of 'costing' by those whose production technique is good but whose accounting technique is undeveloped.

The growing realization that 'costing' and 'financial accounting' form part of one whole function is likely to lead to interesting developments in the field of accounting.

In examining the accounts organization, the industrial accountant would invariably weigh the situation very carefully before advocating the separation of the 'financial' and 'costing' functions. In doing so, he would, of course, bear in mind the fact that lines between areas of responsibility have to be drawn somewhere and that there is a natural linkage between the functions of accounting near the factory-floor level and other functions which have most carefully to be co-ordinated with it; 'costing' ties up with time study which again links up with motion study. Rate-fixing, planning, progress control, and quality control are all matters which would appear to lie outside the scope of accounting but which must be understood in their main implications if the accounting system is to fit

with success into the administrative organization of the business, and in many cases some of these matters may fall within the responsibilities of the accountant.

Accounting as a Means of Control

It has already been pointed out that the prime function of accounts in industry is to translate plans into figures so that the indications of policy can be considered before the event and the likely effect of decisions can be seen before such decisions are made. The first stage, therefore, in all industrial accounting must be regarded as the submission of statements in figures showing the intentions of the management at each level of responsibility for the forthcoming period, probably one year. These statements will normally be broken down into monthly or shorter periods showing the effect of the plans at each stage in the year's operations.

It does not appear to be sufficiently recognized that in submitting these budgets the accountant is not attempting to pose as a prophet. It is clear that in any budget covering even a short period ahead a very large number of assumptions must be made but it is not the function of the accountant to make assumptions. The technique of budgetary control has been adequately explained in a large number of publications and there is no need to go deeply into the question here, but it may at least be pointed out that the level of production, the prices of raw materials, the requirements of the sales department, and the level of selling prices, the plant capacity, and so on, are all matters upon which the accountant, in preparing the budget, would be advised by the appropriate departments; the accountant's function is limited to piecing together the jig-saw puzzle, to seeing as best he may that all the parts fit, and that the whole when presented intelligently shows a picture.

The budget, when presented to each level of management according to its responsibility and being accepted by the management at each level, becomes not only a measure of the intentions of the management and of their awareness of the necessity to earn an adequate return on the assets entrusted to them, but a measure by which their ability to manage according to their intentions can later be judged.

Standard Costs and the Budget

The adoption of standard costs in conjunction with the budgetary technique (whether standards are set on a yearly basis or according to 'normals') enables variances from the budget to be selected, emphasized, and explained to each level of management from foremen upwards, each according to his own responsibility with suitable adjustments for increases or decreases in the volume of production.

Under ideal arrangements, each manager should have a budget representing his responsibilities for a future period. He will require, monthly at least, a statement showing his performance against his budget, and this statement should reach him in time to enable him to take action before it is too late. In any single unit, factory, or branch it is probably not impossible for the accounts to reach the manager not later than one week after the end of the accounting period; with a standard cost accounting system it is likely that this time can be achieved without undue difficulty.

The accounts will be presented to the management at each level by the accountant responsible at that level, the accountants for each group of factories within the company receiving copies of and, if necessary, consolidating the results of the factories for which they are responsible and presenting them to the group supervisor or committee of management and, in his turn, passing on the group results to the chief accountant for submission in suitable form to the board of the company. At each level of management to which accounts are submitted, the performance should be compared with the budget, which has previously been approved, and divergences explained.

'Actual Total Cost'

The use of standard costs in substitution for historical costing has been hindered by the pursuit of an entirely chimerical 'actual total cost'. Such a cost is built up on the basis of a mixture of facts and assumptions and the more expenses taken into this cost which are outside the responsibility of the management directly responsible for producing the product, the higher will be the proportion of assumption. It is not only amongst accountants but in a marked degree amongst business managements that the feeling still persists that there is such a thing as actual cost. There is even a feeling that such costs have an immediate value. In so far as they represent events which have passed they are dead; in so far as they are expected to provide a guide to the future they are in no form which enables deductions to be drawn from them. As a guide to fixing selling prices (where it is possible to fix such prices in direct relation to cost) they have their value over the whole price range in

ensuring that the price range as a whole is profitable; as a guide to the economic price of any one article in the range they may be extremely misleading.

Financial Control

The foregoing paragraphs have dealt with operating budgets. For financial control these must be translated into cash budgets in order to assure not only the conservation of cash resources but that plans are properly laid for the employment of surplus funds. For this purpose, however, it is unlikely in a large concern that a forecast covering only one year ahead would be sufficient. The erection and development of a single large plant may take, in current circumstances, anything from three to five years and will probably involve the investment of a very large sum of money. It is therefore necessary to take the cash budget at least to the completion of the investment, and desirable that it should cover a further period to ensure that after completion cash resources show possibilities of an increase arising out of the new investment. A long-term cash budget is therefore a necessity and a period of ten years is by no means unreasonable for this purpose, even though in the early years of such a period there are a large number of uncertainties and in the later years the forecast can be based on no more than intelligent guess-work. A constant review, however, of the cash budget figures ten years ahead will give the board of such a company at least a clearer idea of the way in which the company's finances are tending than is otherwise available to them. In a small company with small commitments a change of plan is not inordinately difficult nor need it be unduly expensive; in a large company with heavy commitments a change of plan is extremely expensive. A long view of future plans is therefore essential and a plan, once carefully considered and put into operation, represents an inescapable commitment except in the most unusual circumstances and must be fully met.

The compilation of a cash budget over so long a period as ten years involves the projection of the operating budgets for a similar period, the extraction therefrom of an income budget and, on the other hand, the preparation of a capital expenditure budget which will include investments in subsidiary or other companies and in working capital. From these two budgets the long-term cash budget can be prepared with obvious reservations in the estimates for taxation payments in the light of initial allowances and rates of tax generally.

It is unlikely that the long-term cash forecast will be considered at any level lower than that of the board of the company (or parent company in the case of a group).

Variations in Practice

Above is indicated merely the outline of what might be regarded as a normal presentation of budgetary data and accounting information to management in such a way that the operations and finances of the company can be controlled with a reasonable approach to certainty (so far as this is possible) and without undue elaboration of paper work. As has already been pointed out, however, practice may vary widely even within a single organization. For instance, in a small factory around which the manager can with ease take his morning walk, statistics of performance are less likely to be of value than the evidence of the eyes of the manager, though even in so small a factory there are things which the eyes cannot see. In a larger plant in the same company the manager cannot have equal opportunities of personal supervision and he must accordingly derive a greater part of his personal control indirectly through the figures presented to him. In a small unit it may be unnecessary to prepare accounts with such frequency and in a larger unit it may be necessary to prepare figures at shorter intervals. To some extent, however, in each case adequate control over the operations depends on the accounting statements which are prepared and regularly submitted. It is in all cases the duty of the accountant to ensure that such statements are understood and that where action is required, this is made clear.

Brevity and Speed in Reporting

The accounts organization should not therefore be concerned only with the meticulous recording of events in financial terms. Records should be primarily directed towards assisting the formulation of decisions on future policy and management and towards the most immediate indications of divergences from the expressed intentions at each level of management. Speed is therefore essential, and speed, if it is to be economic, entails brevity in reporting. This should be no handicap to the accountant in assisting the management since, while management relies to a great extent on accounting information it has other sources of information which must receive study and has to that extent less time for consideration of accounting data. If the accountant can be assured that his statements result in management action upon only

one item in each statement presented to it, he should be well satisfied. The average achievement is usually very much less than this.

Accounting is Advisory

Attention has already been drawn to the necessity for ensuring that the accountant (*qua* accountant) should not take part in management. The primary duty of management is to make decisions in regard to the conduct of the business. The accountant presents information which may lead to such decisions but which will form only part of the data upon which decisions are based. When Pope wrote 'Hell hath no fury like a woman scorned' he had probably not met an accountant whose advice had been rejected, but perfectly sound advice from a financial standpoint may quite reasonably and properly be rejected because other non-financial aspects of the question concerned entirely outweigh the financial considerations. Since business decisions involve technical and commercial considerations as well as financial, the accountant – representing only one aspect of the matter – would be quite improperly concerned as accountant in taking such decisions. Of course, in regard to the use of his own technique the accountant will make his own decisions.

Accounting Staff

The form taken by the accounts organization, the way in which it should regard its work, and the use to which it should be put, have been considered in the foregoing paragraphs. These matters in the case of each individual company will affect the organizational structure of the accounts department taken as a whole. There will, of course, be other considerations, of which perhaps foremost is the willingness or otherwise of the business to pay for an effective service.

In the case of the hypothetical company which is here under consideration, it will be recalled that there were subsidiaries at home and abroad. Subsidiary companies for all practical commercial purposes are branches of the parent company but their legal form involves the appointment of boards of directors to whom as a matter of practice it is usual to allocate a higher degree of responsibility than to a branch manager or branch committee. This circumstance would normally involve a much higher technical responsibility of the accountant of a subsidiary company to the board of that company than of a branch accountant to a branch manager whose financial functions would be controlled in a much higher degree by the controlling or central management. Accordingly, the technical responsibility of the chief accountant of the group for the functions of the accountant of a subsidiary company is likely to be less direct than in the case of a branch accountant, and this applies with particular force when the subsidiary company is abroad.

The appointment of an accountant, technically responsible to the chief accountant, whose primary function is to review, correlate, and report on the accounts of subsidiary companies, may therefore be well repaid in that detailed application of the requirements of the parent company in connexion with consolidated accounts and similar matters can be dealt with by one knowledgable official and the chief accountant is not then preoccupied with a wide range of problems similar in character but relating to a very large number of independent concerns.

Delegation

It has been pointed out that the accounts organization should follow, within the limits imposed by the organization of the company itself, the general principles of organization. The chief assistants in the accounting organization would therefore number perhaps five or six (including the accountant dealing with subsidiary companies) each one of whom would normally deal with a group of factories either in the same industry or geographically convenient. The number and status of these chief assistants will, of course, vary with the number of factories or branches concerned, the technical difficulties of the work and the size of the organization as well as the number of duties imposed upon them. It may be, for instance, that they may be required to deal with taxation matters locally and they may also be chief administrative officers of the group to which they belong. Responsible to the chief assistants (who may have a personal staff to help them) would then normally be the accountants at each mill or branch. Clearly the status of each of these men would vary very greatly as would also the duties devolving upon them. In a single factory the accountant is more likely to be concerned with administrative matters and less concerned with accounting as such, but here again circumstances govern cases.

Appointment of Staff

In regard to the appointment of staff, one of the main preoccupations of the chief accountant and his senior assistants is the training of staff to occupy new accounting positions as they arise, or to take the place of retiring staff. There is the possibility here of a careful admixture of trained

experience with the introduction of 'qualified' but industrially untrained accountants. Opportunities for promotion in even the largest organization are rare enough in a part of the staff employed in one technical function, and the most serious care must be given to the training of employees both by giving opportunities and experience within the organization and by encouragement to take the technical accounting examinations open to such staff.

The training of staff and status and responsibilities at each level in the accounts organization will depend primarily on the extent of the decentralization of accounting responsibilities. In any large concern it is generally true to say that financial responsibility is the last function to be decentralized and it would normally be expected that centralization of the accounting function would be closer than of any other. Centralization involves a small number of highly trained men at the centre and routine accountants and book-keepers filling in forms elsewhere. From the accounting point of view this arrangement has a serious disadvantage and that is that accounting information is not made available and properly interpreted at the point at which it is most required and soonest useful, that is, near the factory floor. Standards set up and reports on performance tend to be compiled from data submitted by the factory and returned to the factory manager in the form of completed statements prepared at the centre. This not only involves delay but leads to a tendency on the part of the factory manager to regard the standards as imposed upon him and the reports of performance as open to doubt.

It would appear to be more satisfactory to decentralize the accounting function so that the branch accountant is able from his own data to inform his own management regarding matters upon which information is required and to interpret this information intelligently and in such a way that the factory manager can take action according to his own responsibility.

Decentralization of responsibility is likely to be more successful if identity of policy on points of principle is established throughout the organization. This may be achieved by regular but not necessarily frequent meetings between the accountants in the organization to discuss common problems, to explain points of policy, for enlightenment on new points coming within the duties but outside the experience of some of the accountants, and perhaps most important of all, the establishment of personal friendly relations.

Specialization

Certain specialist functions, either performed by accountants or normally regarded as accounting matters, are likely to be carried out in any large concern by staff whose whole time will be devoted thereto. These functions may or may not come within the accounts organization. Internal audit, taxation, office methods, 'finance' (the investment of funds), are all matters of this kind, consideration of which, however, cannot be included here. It must suffice to point out that the closest contact must be maintained between those responsible for these functions and the accounts organization.

Special Work

Only the routine aspects of accounts organization have been considered above. In any large industrial concern, however, it is probable that the senior members of the accounting staff will be less concerned with routine matters and more concerned with special enquiries on a very wide range of matters with which the accountant is best equipped to deal. Any accounts organization must seriously take this factor into account as, although there may be specialists in certain accounting functions, the range of possibilities is so wide that it would be difficult and uneconomic to attempt to provide a specialist for every possible contingency. It may be desirable for a large concern to set up either within the accounts organization or outside it a special team to deal with such matters, to be switched from one job to another as necessity arises. In some cases these matters may be dealt with by the internal audit department; in others there may be a finance department or an accounts control department, whose primary function it is to set up new systems, carry out special investigations, and advise on other specific problems. In many cases, however, these matters will devolve on the senior accountants of the company acting as members of the accounts organization.

In considering the way in which these inevitable special matters are to be handled it is to be presumed that the board of the company will wish to avoid over-elaboration and division of responsibility, and this is a point to which special attention needs to be given in any consideration of the accounts organization. Such organizations tend to grow unless regularly and vigorously pruned, and each aspect of the work of the accounts department needs regular examination in order to ensure that it is serving a useful purpose and that it is being carried out in the most economical manner.

TAXATION IN SOUTH AFRICA

A Comparison between United Kingdom and South African Taxation

by R. A. TYSSEN-GEE, A.C.A.

The aim of this article is to give as clear a picture as possible of the total taxes payable in the United Kingdom and in South Africa so that a prospective settler will be able to compare his net income in South Africa with a similar United Kingdom income.

ONE of the largest items in the budget of a private individual, whether he is living in this country or in South Africa and if his income is moderately large, is income-tax and possibly sur-tax.

For purposes of comparing a net income in South Africa with a similar United Kingdom income, a married man with no children has been chosen in each case but the saving in tax for the unmarried man in South Africa is rather similar for the lower income groups. It is assumed that all the income is earned.

A married man in the United Kingdom will have a personal allowance of £180 and one-fifth earned income relief on earnings up to £2,000. On an income of £225 he will pay no tax and the full standard rate of 9*s* is reached with an income of £537 on which he pays £56. On any excess he pays 9*s* in the £ less his fifth earned income relief until £2,000 is reached. At this point he loses his earned income relief on additional earnings and sur-tax is also payable so that the total taxation on additional earnings is increased considerably. The sur-tax rates go up with an increasing income and the heaviest rate is now 10*s* 6*d* in the £ levied on incomes of over £20,000. With income-tax at 9*s* the taxpayer pays away 19*s* 6*d* in every £ in excess of £20,000. The continuous line on the appended graph shows the total tax payable for all incomes up to £24,000 for a married man in the United Kingdom.

Four South African Taxes

In South Africa the taxpayer may be liable to pay four different taxes and his total liability will vary according to which province he inhabits. There are four different provinces: Cape Province, Transvaal, Natal and Orange Free State. Briefly, the four different taxes are as follows:

(1) *Normal tax* which is the same for all provinces. A single person is exempt on an income not exceeding £250 and is allowed a rebate of tax of £22 on an income above that figure. The rate is 1*s* 6*d* in the £, increasing by one-thousandth part of a penny for each additional £ of income not exceeding £16,000 and, on an income over £16,000, 4*s* 2*d* in the £ on the excess over that amount.

A married person is exempt on an income not exceeding £300 and is allowed a rebate of tax of £31 on an income above that figure. The rate is 1*s* 3*d* in the £ increasing by one-thousandth part of a penny for each additional £ of income not exceeding £16,000 and, on an income over £16,000, 3*s* 11*d* in the £ on the excess over that amount.

In addition to the rebates of £22 and £31, there are rebates for children and dependent relatives and life insurance which are expressed

	Unmarried	*Married*
Cape Province	24 per cent of the first £6,000 of normal income-tax and super-tax (if any) and 16 per cent on the excess over £6,000	
Transvaal	26 per cent of normal tax 30 per cent of super-tax	20 per cent of normal tax 24 per cent of super-tax
Natal	25 per cent of normal and super-taxes	25 per cent of normal and super-taxes
Orange Free State	40 per cent of normal and super-taxes	25 per cent of normal and super-taxes

in terms of tax unlike the United Kingdom where they are expressed in terms of income. The rebates are briefly as follows:

(*a*) £10 tax for each child under 18.

(*b*) £2 10*s* tax for each dependent relative.

(*c*) 1*s* 3*d* per £ of life, sickness and accident insurance premiums up to a maximum of £7 10*s*.

(2) *Super-tax* which is the same for all provinces and for married and unmarried persons. The rate is 2*s* in the £, increasing by one-four-hundredth part of a penny for each additional £ of income not exceeding £16,000 and, on incomes exceeding £16,000, 8*s* 8*d* in the £ on the excess. There is a rebate of £210 so that super-tax will only be levied on incomes of £1,775 and over. *A surcharge* of 20 per cent is payable on income-tax and super-tax calculated after deducting all rebates referred to above.

(3) *Provincial income-tax* which is levied at varying rates in the four provinces as shown in the table on page 311.

These percentages are calculated before adding the surcharge.

(4) *Personal taxes.* These small taxes are levied on a graduated scale and vary in the four provinces as shown in the table below.

Married Men in South Africa

The broken line on the graph shows the tax payable by a married man with no children in Natal, which, together with the Orange Free State, which gives almost identical results, is the most heavily taxed province for the married man. The comparison with the United Kingdom is interesting. On an income of £1,000 the tax in the United Kingdom is £222 compared with £54 in Natal, and on £2,000 the figures are £582 and £208. Up to £3,000 the tax in Natal is less than half the United Kingdom tax and up to £10,000 the total is less than two-thirds. The maximum rate in Natal is reached at £16,000 when 18*s* 3*d* in the £ is paid away on any additional earnings compared with Great Britain's maximum rate of 19*s* 6*d* reached at £20,000.

The other three provinces give almost identical results up to £2,000 but above that figure the tax in Transvaal and Cape Province becomes rather less. In the Orange Free State the tax is identical with Natal with the exception of the small personal tax. On incomes of £16,000 the total taxes payable are as shown on page 313.

	Unmarried	*Married*
Cape Province ..	Income under £150 exempt. Income £150 and over, £2 plus 2*s* 6*d* for every completed £10 income over £150 less 20 per cent rebate. Maximum £8.	Income under £250 exempt. Income £250 and over, £1 plus 2*s* 6*d* for every completed £10 income over £250 less 20 per cent rebate. Maximum £4.
Transvaal	Income under £150 exempt. Income £150 and over, £1 10*s* plus 2*s* 6*d* for every completed £10 income over £150. Maximum £12 10*s*.	Income under £250 exempt. Income £250 and over, £1 plus 2*s* 6*d* for every completed £10 income over £250. Maximum £7 10*s*.
Natal	Income not exceeding £250, £1 10*s*. Income exceeding £250 but not £450, £3. Income exceeding £450, £3.	Income not exceeding £150, 10*s*. Income exceeding £150 but not £250, £1. Income exceeding £250 but not £450, £2. *Rebate.* – The taxable income is reduced for each child under 18 by £25. Maximum reduction £100.
Orange Free State ..	Income not exceeding £200, £1 plus 3*s* for every completed £10 of income over £100. Income exceeding £200, £1 17*s* 6*d* plus 5*s* for every completed £10 of income over £100. Maximum £9 7*s* 6*d*.	Income not exceeding £200, £1 plus 2*s* for every completed £10 of income over £100. Income exceeding £200, £1 11*s* 3*d* plus 3*s* 3*d* for every completed £10 of income over £100. Maximum £6 5*s*.

	£
Great Britain	11,871
Cape Province	8,769
Transvaal	8,698
Natal	8,835
Orange Free State	8,839

The calculations for the above South African taxes are as follows:

Normal tax (all provinces):

$$\text{Rate} = 15d + \left\{\frac{1}{1,000} \times (16,000 - 1)\right\}d$$

$= 30{\cdot}999d$ per £

	£	s.	d.
16,000 × 30·999*d* =	£2,066	12	0
Less Rebate	31	0	0
	2,035	12	0
Add Surcharge 20% ..	407	2	5
	£2,442	14	5

Super-tax (all provinces):

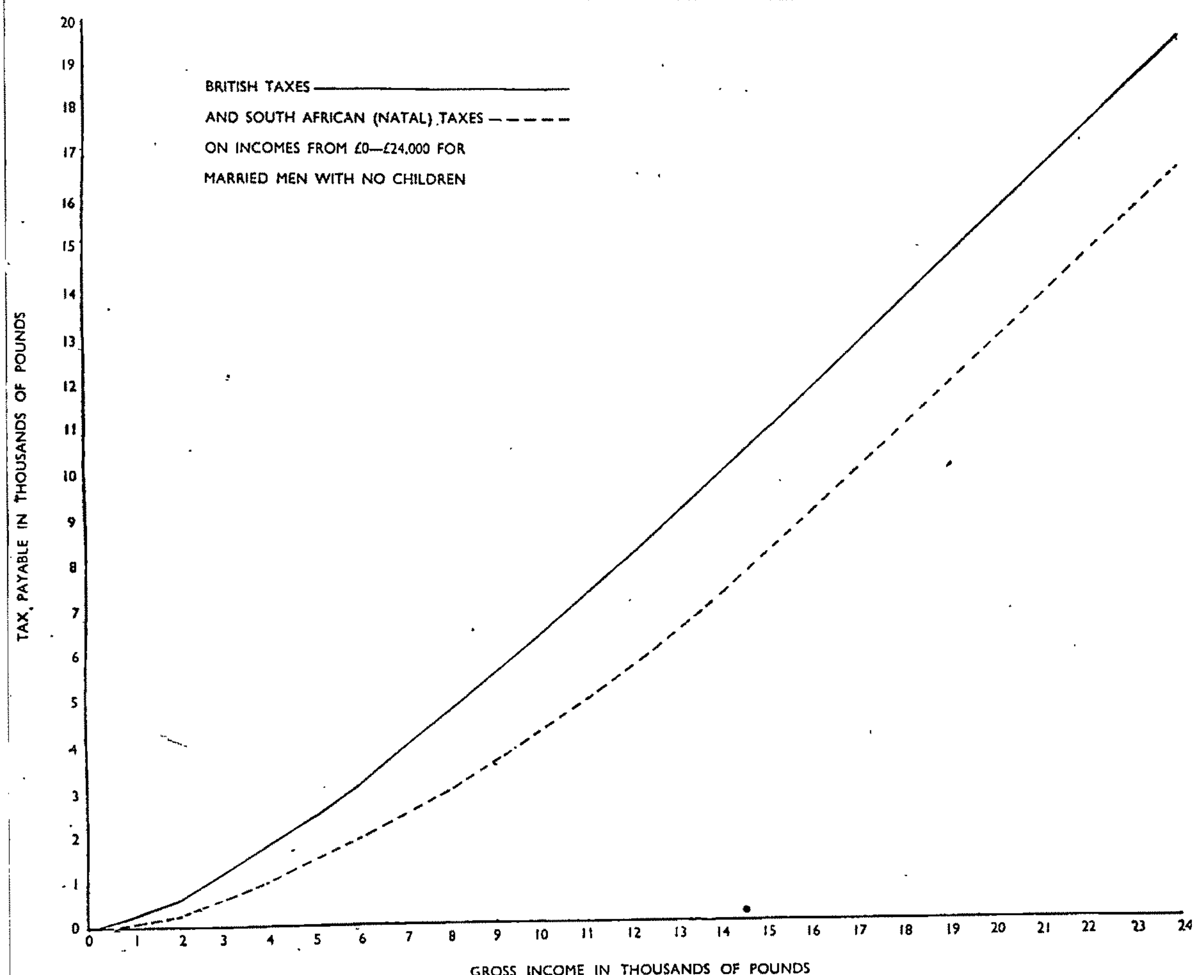
$$\text{Rate} = 24d + \left\{\frac{1}{400} \times (16,000 - 1)\right\}d$$

$= 63{\cdot}9975d$ per £

	£	s.	d.
16,000 × 63·9975*d* =	£4,266	10	0
Less Rebate.	210	0	0
	4,056	10	0
Add Surcharge 20% ..	811	6	0
	£4,867	16	0

Total Taxes:

Province	*Normal*	*Super*	*Provincial*	*Personal*	*Total*
	£	£	£	£	£
Cape Province	2,443	4,868	1,454	4	8,769
Transvaal	2,443	4,868	1,380	7	8,698
Natal	2,443	4,868	1,522	2	8,835
Orange Free State	2,443	4,868	1,522	6	8,839



Single Men in South Africa

For the single man, taxation is also much less in all four provinces than in the United Kingdom, but owing to the higher rate of the normal tax and in some cases the greater provincial income-tax the single man is taxed much more heavily than the married man in the higher income groups.

The following table shows the tax payable by a single man in the four different provinces compared with the United Kingdom tax:

Income:	£1,000	£2,000	£10,000	£16,000
	£	£	£	£
United Kingdom	254	614	6,402	11,902
Cape Province ..	91	262	4,293	9,059
Transvaal ..	96	270	4,433	9,373
Natal	85	258	4,322	9,139
Orange Free State	101	289	4,761	10,091

It will be seen that the Transvaal and the Orange Free State give a much greater benefit to the married man than the other two States, while in Great Britain the maximum benefit is only £31.

Other Differences

There are a number of essential differences between the United Kingdom and South African systems of taxation which makes comparisons difficult. The following are some of them:

1. The employee in the United Kingdom is taxed at source under P.A.Y.E. on his actual earnings during the year so that an increase in pay results in an immediate increase in tax.

In South Africa the assessment is on the basis of the previous year as was the case in the United Kingdom before P.A.Y.E. was introduced in 1944.

The younger man whose income is usually on the increase is taxed more heavily under P.A.Y.E. than on the basis of the previous year's assessment.

2. In the United Kingdom a house-owner is taxed on the annual value of his house.

There is no Schedule A in South Africa.

3. In the United Kingdom income from abroad is generally subject to tax.

In South Africa income from abroad is generally exempt from tax.

4. In the United Kingdom allowances for children, dependent relatives and life insurance premiums are expressed in terms of income.

In South Africa the allowances are expressed in terms of tax and in general are smaller than in the United Kingdom.

WEEKLY NOTES

Articled Clerks: National Service

The following statement was approved by the Council of the Institute at its meeting on March 7th, 1951, and completes the report of the proceedings which commenced in our issue of March 17th, 1951.

> 'The Council recommends that where an articled clerk is absent from his principal's office in order to serve for the fifteen days' national service required of certain reservists, the parties to the articles should agree to the period of absence being regarded as part of the period of service under articles. The Council will recognize, as satisfying the requirements of the Royal Charters and bye-laws, a term of service under articles during which an articled clerk has been absent for such a period. (This recommendation is similar to that already made by the Council in connexion with the part-time national service under the National Service Act, 1948, and in connexion with the normal period of training by voluntary service in the Territorial Army – see *Members' Handbook*, page 114.)'

Prices and Credit

Pressure on industry's cost structure from rising prices of materials is having its consequences on the volume of bank credit. In February, bank advances increased, according to the analysis of the British Bankers' Association, by £124 million to a record level of £1,807 million. Not only was this an advance to a new high level but it was also a record rate of increase for any quarterly period.

Nearly all categories took part in the increase, but it was noticeably large in those classes where prices have been rising rapidly of late. Steep increases were recorded among textiles (less in the case of cotton than for other components of that group), leather and rubber, non-ferrous metals and chemicals. There were also the usual seasonal increases among retail stores, building and agriculture. Less spectacular rises, but only so in comparison with some others, were recorded by the engineering trades, and of course there may be a demand for more accommodation from this source as the rearmament programme gathers further momentum, and firms have to have recourse to their banks for more working capital to make the switch-over from civil to defence orders.

Exports in February

Final export figures for February in no way affect the disappointing impression made by the provisional results issued two weeks ago. Exports fell sharply from £214 million in January to £174 million in February. Even if allowance is made for the fewer working days the figures are still 8 per cent lower than those for January or for the final quarter of last year.

Imports were also noticeably lower on the month. At £248 million, they were £50 million below January's total. If allowance is made for re-exports, there was in consequence a fall in the adverse balance from £75 million to £65 million.

While it is true that the target this year for the balance of payments position is to break even, this will be achieved only by increasing the value of the country's income from abroad since the cost of imports will almost certainly rise steadily throughout the year. It is not possible to say at this stage what contribution will be made by invisible income from abroad, but to judge from the visible trade results of the last two months there may well be an increasingly severe strain put upon net invisible income if an overall balance is to be achieved.

Stockpiling Report

A recent faltering in the prices of certain international commodities has given rise to the impression that the stockpiling policy of the United States was in process of modification. A report issued over the week-end, however, prompts the thought that any recent let-up in American buying pressure may be only temporary.

The latest semi-annual report to Congress of the United States Munitions Board deals with the second half of 1950. Although an all-out effort by the Board to fulfil its stockpiling programme has been made, the figures show that measured by its own standards the programme is noticeably in arrears. This is partly due to the fact that during the second half of last year the Board's targets were considerably raised. At June last, the Board had bought 38 per cent of its final target of $4,400 million. By the end of December, it had in stock 30 per cent, $8,870 million.

In the past the programme has been held up on occasion by lack of funds. For the current fiscal year, however, there are ample funds available. The potential of the Board in every sense of the word is now probably at its highest. It is therefore somewhat premature to consider that the main force of the programme is now spent. It is true that there have been smaller purchases of late for certain commodities, notably metals, but it may yet prove to be the case that these declines are no more than an effort to maintain a balance in the stocks held. This is all so much speculation, however, since the operations of the Board are likely to remain shrouded in secrecy. Whatever the final pattern of purchasing may prove to be, it is probably reasonable to assume for the time being that international markets are going to be profoundly influenced by United States stockpiling activities.

REVIEWS

Introduction to English Law
by Philip S. James, M.A., Barrister-at-Law

(Butterworth & Co (Publishers) Ltd, London. 12*s* 6*d* net)

The study of law, according to Burke, makes men acute, inquisitive, dexterous, prompt in attack, ready in defence and full of resource. 'They augur misgovernment at a distance', he said, 'and snuff the approach of tyranny in every tainted breeze.' Here then is the ideal primer for the young student or layman who wishes to acquire these qualities and to nose out treachery, at home or abroad, as soon as it is bruited. Like all Gaul, it is divided into three parts. The first section explains the nature, classification and sources of law, how it is administered and the procedures involved and the personality, status and capacity of those whom it protects. The second deals with public law – the law of the constitution, criminal law and the law of state responsibility – and the third with public law, covering contracts, torts, property, trusts and succession. The book throughout is eminently readable and a comprehensive general index as well as tables of the many statutes and cases referred to, are given. Browsing among the last of these the reviewer recalled from his subconscious the delicate details of *Pearce v. Brooks* ((1866) L.R. 1 Ex. 213). On turning to the text he found that the author had referred to it as 'a case which, for some reason, students always remember'. A hit, a very palpable hit.

With such an excellent book available, *ignorantia juris haud excusat*. Mr James should be encouraged to continue the good work of enlightenment for he clearly has the gift of exposition without oversimplifying his subject.

Ranking, Spicer and Pegler's The Rights and Duties of Liquidators, Trustees and Receivers (Twenty-first Edition)
by H. A. R. J. Wilson, F.C.A., F.S.A.A., and R. D. Penfold, LL.B., Barrister-at-Law

(Sir Isaac Pitman & Sons Ltd, London. 21*s* net)

If books retired, as do most humans, at 65, then students and practitioners would have to turn elsewhere for the answers to their company liquidation, bankruptcy and receivership problems. But the best books are perennial and indeed, with its twenty-first edition just issued, this standard manual, first published in 1886, has in a manner of speaking but come of age. It has been brought up to date by the incorporation of the relevant revisions of the Companies Act, 1948, and the most recent case law. The text also has been revised and amplified, the chapters on receivers having been considerably developed. Its value is thus greater than before even although, as the present editors very fairly point out, limitations of space preclude detailed discussion of the practical difficulties of the new Companies Act, particularly with reference to receiverships, in which field there has not as yet been much litigation.

Calculating Instruments and Machines by Professor Douglas R. Hartree

(Cambridge University Press, London. 21s net)

Although this book is written for the mathematician and is completely comprehensible only to him, it has a fascination for the lay reader with an interest in scientific development. Professor Hartree writes in a style which makes his book as understandable to the layman as his subject allows.

The development and use of modern high-speed computing devices are explained. It is true that the complicated mathematical problems which they can be used to solve are those met mainly by scientists and engineers. Nevertheless, Professor Hartree mentions that they have been used for more mundane matters – such as the running times of railway trains.

With imagination, this book opens up glimpses of developments which may one day serve a wider purpose in commercial life. One such is the large general-purpose relay machine built by the Bell Telephone Laboratories in the U.S.A.; the input and output of this machine are expressed in standard teletype code so that it can be connected into the teleprinter network of the United States. This single machine can therefore accept data from, and supply results to, any part of the U.S.A.

The author emphasizes that future development for purely mathematical purposes requires considerable expansion of the machine's ability to store information. This problem is in process of solution. It is along these lines that it is possible to envisage the application of similar developments to machines for more general commercial use. Developments in high-speed racing cars ultimately affect changes in the design of the family runabout. So, Professor Hartree's book gives a glimpse of developments in high-speed calculating machines which may ultimately affect the machinery in more day-to-day commercial use. For those who are interested in such matters, this book is well worth reading.

Scientific Method for Auditing by Lawrence L. Vance

(University of California Press – obtainable from Cambridge University Press, London. 19s net.)

The determination of the scope of a test check, the extent to which it should be developed when errors are found and the conclusions to be drawn from it are problems familiar to all auditors. The task of judging the accuracy of the whole on the evidence obtained from examining a part only may be further complicated by the varying concepts of accuracy held by individual checkers and by the time element. These influences may tend to make the auditor's judgment in some measure subjective.

Mr Vance, Associate Professor of Accounting in the University of California, has written a treatise on how to rationalize the process of 'sampling', as it is called in America, by the adoption of statistical methods of inference, based on the computation of probabilities. The auditor who employs this device has thus an impartial scientific standard by which he can measure the results of his checking and so form a judgment which, largely free from irrelevant influences, should be as nearly as possible objective.

The author explains the methods of selecting unbiased, random samples, shows how to apply them to transactions involving, *inter alia*, cash, stocks, accounts receivable and fixed assets, and illustrates his theories with actual case histories. It is stated that no knowledge of mathematics beyond arithmetic is necessary, but proficiency in this is essential if the reader intends to accompany Professor Vance all the way.

Shaw's Guide to Income Tax Relating to Local Authorities by Frank Mellor, A.I.M.T.A., A.R.V.A.

(Shaw & Sons Ltd, London. 17*s* 6*d* net)

In a little more than 100 pages of text the author gives a very readable summary of the law and practice of income-tax in relation to local authorities. Such bodies usually own considerable amounts of property, lend and borrow money at interest, and have numbers of employees. Most of them have now lost their more important trading activities, but income-tax still remains a considerable problem, complicated by extra-statutory concessions. Mr Mellor threads his way through the complexities with admirable brevity. Some of his introductory remarks are a little sweeping, but in the context brevity is preferable to meticulous exactitude. The book has a thumb index.

Formation and Management of a Private Company (Fourth Edition) by F. D. Head, B.A., Barrister-at-Law

(Sir Isaac Pitman & Sons Ltd, London. 12*s* 6*d* net)

It is over thirty years since the first edition of this simple, straightforward and practical introduction to the complexities of company law was published. The new edition incorporates the changes introduced by the Companies Act, 1947. In general this has been well done, but some mention should have been made of the new power to remove directors by ordinary resolution, and the specimen notices of meeting should incorporate the statutory reminder as to proxies. Since 1947, the stamp duty on debentures has been 5*s* per cent, not 2*s* 6*d*.

Underhill's Law of Trusts and Trustees

In last week's issue we reviewed the tenth edition of *Underhill's Law of Trusts and Trustees*, by C. Montgomery White, K.C., and M. M. Wells, Barrister-at-Law, published by Butterworth & Co (Publishers) Ltd, London, and we gave the price as being £3 3*s* net. This is incorrect. The price should have been shown as £3 15*s* net.

FINANCE AND COMMERCE

Considering the press of political and economic upsets and uncertainties, London stock markets are behaving commendably well. Markets are near the end of a three-week account, which covered the Easter break, and are moving towards a new account which will include the Budget on April 10th. That is a combination which in itself would dampen market enthusiasm. Add the uncertainties of the Persian position, steep reaction in the gilt-edged market, and the critical situation with regard to industrial raw material supplies and it is remarkable that any semblance of steadiness can be maintained at all.

The main factor making for this steadiness is the natural desire of jobbers to keep their positions as even as possible and of public operators to restrict their business to a minimum. Apart from special professional speculation, business is mostly of a purely routine character and is likely to remain so until the Budget is out of the way. It is questionable, however, whether it is the Budget or the raw material position which is giving the more serious cause for concern at present.

'Statements 3 through 7'

We conclude this week the reprint of the accounts of the Caterpillar Tractor Company, whose results of operations and financial position we gave in our last issue. The reprint consists of the 'Statements 3 through 7' to which the notes on the accounts refer. It is not a complete reprint, however, in that the figures in the original go back over the space of eleven years. As the main purpose is to show the form and extent of the information provided we have economized space by abbreviating to two years.

Several important features in these statements will be noted: the provision of the percentage profit of sales; the profit per share of common stock; and dividends per share. In statement 5 there are the figures for 'ownership equities'. In this country information on these lines seems to be given only when the public is invited to take up shares in a company. Offers and statements connected with share marketings give percentage earnings per share and assets cover. We can see no reason why this service of information should not be continued in subsequent accounts after the public's capital has been obtained. Yet no company, so far as we know, has done so.

The first company to follow the Caterpillar example will fill the headlines in the financial columns of the Press. It will be as much an event as the Dunlop balance sheet was at the beginning of the 1930s.

'Against Better Judgment'

We must acknowledge with many thanks a letter from Mr George Odey, chairman of Barrow, Hepburn & Gale Ltd, concerning our comment on the com-

CATERPILLAR TRACTOR CO **(3)**

(Results of Operations)

	1950 $	1949 $
Sales	337,285,327	254,871,526
Costs:		
Inventories brought forward from previous year	64,193,505	61,361,483
Materials, supplies, services purchased, etc. ..	187,669,225	146,645,043
Wages, salaries, company contributions for group insurance, pension plan, unemployment insurance and old age benefits	90,000,855	76,825,559
Portion of original cost of buildings, machinery and equipment allocated to operations (depreciation)	5,526,554	4,891,389
Interest on borrowed funds	409,692	552,797
Federal income and excess profits taxes ..	33,200,000	10,840,583
	380,999,831	301,116,854
Deduct inventories carried forward to following year	72,978,789	64,193,505
Costs allocated to year	308,021,042	236,923,349
Profit for year	$29,264,285	$17,948,177
Profit percentage of sales	8.68%	7.04%
Profit per share of common stock based on shares outstanding at December 31st, 1950 (after deducting preferred stock dividends where applicable)	$7.49	$4.66
Dividends per share of common stock based on shares outstanding at December 31st, 1950 ..	$2.25	$1.75

See note 1 regarding inventory accounting basis and restatement of results for 1947, 1948 and 1949.

(Source of Net Current Assets) **(4)**

	Total from incorporation in 1925 $	1950 $	1949 $
Additions to net current assets:			
From profits:			
Profit for period	208,561,287	29,264,285	17,948,177
Add:			
Income from settlement of patent litigation in 1945 less income-tax thereon ..	3,600,000	—	—
Adjustment of investment in 'other properties' (note 4)	4,195,733	1,445,733	2,750,000
Portion of original cost of buildings, machinery and equipment allocated to operations (depreciation) ..	66,607,494	5,526,554	4,891,389
	282,964,514	36,236,572	25,589,566
From capital assets sold or scrapped etc.	3,666,691	134,176	78,079
From common stock issued ..	9,632,183	—	—
From preferred stock issued ..	24,230,372	—	24,230,372
From long-term notes issued ..	26,000,000	—	—
From ten-year 2 per cent debentures issued	20,000,000	—	—
	366,493,760	36,370,748	49,898,017
Reductions of net current assets:			
Dividends paid	121,266,684	9,520,080	7,010,757
Land, buildings, machinery and equipment purchased	133,701,878	17,408,482	8,325,843
Investment in and advances to British subsidiary	302,461	302,461	—
Investment in 'other properties' (note 4)	4,195,733	(139,903)	135,822
Long-term notes paid	26,000,000	—	21,000,000
Ten-year 2 per cent debentures paid	1,910,000	1,910,000	—
	287,376,756	29,001,120	36,472,422
Increase or (decrease) in net current assets during period	79,117,004	7,369,628	13,425,595
Net current assets at beginning of period	7,550,353*	79,297,729	65,872,134
Net current assets at end of period (statement 5)	$86,667,357	$86,667,357	$79,297,729

* Net current assets at incorporation.

See note 1 regarding inventory accounting basis and restatement of results for 1947, 1948 and 1949.

(Financial Position at December 31st) (5)

	1950	1949
	$	$
Current assets:		
Cash	6,895,581	12,953,479
United States government securities ..	2,100,006	—
Receivable from customers and others ..	34,111,251	27,955,881
	43,106,838	40,909,360
Inventories	72,978,789	64,193,505
	116,085,627	105,102,865
Deduct Current liabilities:		
Notes payable to banks due within one year	—	—
Payable to material suppliers and others ..	29,418,270	16,908,698
Federal income and excess profits taxes ..	33,072,085	11,901,238
Less United States government securities	(33,072,085)	(3,004,800)
	29,418,270	25,805,136
Net current assets (statement 4)	86,667,357	79,297,729
Receivable in settlement of patent litigation less income-tax thereon (settled in 1945) ..	—	—
Prepaid insurance etc.	204,871	144,217
Buildings, machinery and equipment (statement 6)	66,024,210	54,649,063
Land	3,160,852	2,848,901
Other properties	—	1,585,636
Investment in and advances to British subsidiary	302,461	—
Patents, trade-marks and other intangibles ..	1	1
	156,359,752	138,525,547
Deduct:		
Notes payable to banks due after one year	—	—
Ten-year 2 per cent debentures due 1956 ..	18,090,000	20,000,000
	18,090,000	20,000,000
Net assets	$138,269,752	$118,525,547
Ownership equities (statement 7):		
Preferred stock	25,000,000	25,000,000
Common stock	37,644,800	37,644,800
Profit employed in the business	75,624,952	55,880,747
	$138,269,752	$118,525,547

See note 1 regarding inventory accounting basis and restatement of results for 1947, 1948 and 1949.

(Buildings, Machinery and Equipment at December 31st) (6)

	1950	1949
	$	$
Original cost:		
Buildings	31,103,391	25,413,826
Machinery and equipment	53,056,103	44,052,274
	84,159,494	69,466,100
Deduct Portion of original cost allocated to operations to date shown:		
Buildings	3,079,464	2,672,988
Machinery and equipment	15,055,820	12,144,049
	18,135,284	14,817,037
Balance of original cost not allocated to date shown (statement 5):		
Buildings	28,023,927	22,740,838
Machinery and equipment	38,000,283	31,908,225
	$66,024,210	$54,649,063

Note: Whenever the cost of any unit of buildings, machinery and equipment has been fully allocated to operations, such cost is eliminated from the accounts.

pany's preliminary profit statement in *The Accountant* of March 3rd. Mr Odey says:

'May I point out that the form in which the statement was made was in strict conformity with the letter which we received from the Chairman of the Stock Exchange. In this letter we were asked to state the "Group profit for the year, after all charges including taxation. and, if material, the extent to which these profits have been affected by special credits (including transfers from reserves) and/or debits".

'This is precisely what we have done and, if I may say so, rather against our better judgment.

'My object in writing to you is to suggest that any criticism of the form of these accounts should be directed not to our company, but to the Stock Exchange who have expressly asked that results should be published in this form.'

Mr Odey's remarks, especially his assurance that the form adopted was 'rather against our better judgment', show how the best intentions can sometimes fail to produce the required result. We can hardly think that it was the intention of the Stock Exchange that profits should be stated after transfers to reserves, especially a transfer of £100,000 against nil to general reserve.

The Suggested Form

The suggested form given in the Stock Exchange letter asks for (*a*) 'Profit (or loss) of the year after all charges including taxation'; (*b*) United Kingdom taxation charged in arriving at (*a*); (*c*) if material, extent to which (*a*) has been affected by special credits (including transfers from reserves) and/or debits; (*d*) rates of dividend(s) paid and proposed and net amount absorbed thereby; (*e*) comparative figures of (*a*) to (*d*) inclusive for the preceding year; (*f*) any supplementary information which in the opinion of the directors is necessary for a reasonable appreciation of the results of the year or of other material changes in the aggregate of the balance on profit and loss account and other reserves. To which the Stock Exchange adds a welcome for 'preliminary announcements which contain information additional to that set out above'. In effect, the letter leaves it very much to the good judgment of company directors.

We suggest that the test of a good preliminary statement is the extent to which it follows the actual accounts. The first essential is the year's trading result and the rest follows in logical sequence as it does in the published accounts. As the Stock Exchange says, these preliminary announcements 'are almost as important as final accounts'. No question should arise of going against one's better judgment. The Stock Exchange letter, in fact, invites consultation where doubt may exist.

'Funded Shares'

Mr Wm. Annan, C.A., F.C.W.A., senior partner in the firm of Messrs Graham, Smart & Annan, of Edinburgh, and a respected leader of the profession in Scotland, suggests 'funded shares' as a fitting description of shares distributed by way of a capital bonus. The issue of so-called bonus shares, he points out, occurs on the capitalizing or 'funding' of profits and/or reserves. His suggestion has the merit of being seriously descriptive without looking 'clever' and we draw the attention of the Issuing Houses Association to Mr Annan's suggestion. The Association, it will be recalled, recently had to admit defeat in its search for a more appropriate word than

(7)

CATERPILLAR TRACTOR CO

Ownership Equities

Capital Stock, Preferred

Year			$
1949	Issued 250,000 shares for cash (underwriting fee and expense deducted from profit employed in the business)		25,000,000

Capital Stock, Common

Year		Number of shares	Amount $	
1925	Issued at incorporation for net assets of predecessor companies (1)	1,625,000	12,320,380	
1928	Issued for net assets of Russell Grader Manufacturing Company	86,127	2,518,416	
1929	Issued for cash at $50.00 per share (less underwriting fees) ..	171,113	8,305,981	
		1,882,240	23,144,777	
1949	Issued additional shares by exchange of two shares of $10 par value common for each share of no par common (an amount sufficient to bring previous stated value up to new par value was transferred from profit employed in the business) ..	1,882,240	14,500,023	
		3,764,480		37,644,800

Profit Employed in the Business

Year	Profit	Dividends	Other additions or (deductions)	Net change for year	Amount at end of year	
	$	$	$	$	$	$
1925	3,263,669	649,874	—	2,613,795	2,613,795	
1926	4,318,095	1,624,976	—	2,693,119	5,306,914	
1927	5,731,423	2,681,249	—	3,050,174	8,357,088	
1928	8,717,838	4,225,000	—	4,492,838	12,849,926	
1929	12,413,446	5,646,720	—	6,766,726	19,616,652	
1930	9,094,018	7,528,960	—	1,565,058	21,181,710	
1931	1,569,200	5,646,720	—	(4,077,520)	17,104,190	
1932	(1,621,448)	1,176,489	—	(2,797,937)	14,306,253	
1933	353,717	235,306	—	118,411	14,424,664	
1934	3,799,190	2,352,849	—	1,446,341	15,871,005	
1935	6,249,307	3,764,480	—	2,484,827	18,355,832	
1936	10,229,592	10,352,320	—	(122,728)	18,233,104	
1937	10,564,690	9,705,959	—	858,731	19,091,835	
1938	3,235,710	4,339,448	—	(1,103,738)	17,988,097	
1939	6,004,890	4,337,337	—	1,667,553	19,655,650	
1940	7,827,183	3,764,480	—	4,062,703	23,718,353	
1941	7,746,827	3,764,480	—	3,982,347	27,700,700	
1942	7,006,660	3,764,480	—	3,242,180	30,942,880	
1943	7,565,946	3,764,480	—	3,801,466	34,744,346	
1944	7,329,313	3,764,480	—	3,564,833	38,309,179	
1945	6,511,895	4,705,600	—	1,806,295	40,115,474	
1946	6,111,591	5,646,720	—	464,871	40,580,345	
1947	13,476,060	5,646,720	—	7,829,340	48,409,685	
1948	17,450,013	5,646,720	—	11,803,293	60,212,978	
1949	17,948,177	7,010,757	(15,269,651) (2)	(4,332,231)	55,880,747	
1950	29,264,285	9,520,080	—	19,744,205	75,624,952	
	$212,161,287	$121,266,684	$(15,269,651)			75,624,952
Net assets (statement 5)						$138,269,752

(1) At incorporation, 260,000 shares were issued. In February 1926 those shares were increased by a 25 per cent stock dividend to 325,000 shares. In December 1926 a conversion of five shares for one share increased the issued shares to 1,625,000

(2) Underwriting fee and expense on preferred stock issue, $769,628, and transfer to common stock in connexion with issuance of two shares of $10 par value common for each share of no par common, $14,500,023.

See note 1 regarding inventory accounting basis, and restatement of results for 1947, 1948 and 1949.

'bonus'. Incidentally, we are not without hope that the whole subject of share issues by capitalization of reserves will be freed from the political atmosphere with which it has been surrounded.

Those Gremlins

It might have been better had we left the gremlins alone. As we feared might have been the case, *The Accountant* has had its visitation. The rascals seized their first opportunity and in the week following our public exposure of their corruption of the good figures, the net value of fixed assets in the reprinted accounts of Tutt Bryant Ltd was twisted to read £165,865 instead of £165,856.

We make every effort to preserve the accounts we reprint from printers' errors, but as most of our readers will have probably found for themselves, no power on earth can withstand the assaults of the underworld. How diabolically cunning these gremlins can be was made clear to us in a letter we received from a reader pointing out our error in the Tutt Bryant figures. Little did the reader know that, even as he wrote, he was 'visited' himself. The gremlin alighted on our reader's pen and made it write 'Trutt Bryant'. The fight will go on, but all the same we cannot help having a sneaking feeling that we should not have taunted the gremlins in the first place.

Money Market

Total applications for Treasury bills on March 22nd were £332,920,000 against £332,705,000 the previous week. With the market again receiving 66 per cent of requirements the average rate showed very little change at 10*s* 2·94*d* per cent. This week's offer is maintained at £250,000,000 and there is a call of £30,000,000 against Treasury deposit receipts.

CURRENT LAW

Exchange Control Act, 1947

The defendant in *Bigos v. Bousted* (*Law Times*, January 12th, 1951) entered into an agreement with the plaintiff for the supply of a certain foreign currency against payment in England of the English equivalent. To secure his promise he deposited a share certificate with the plaintiff. The arrangement fell through, the plaintiff brought an action for the return of the sum of £150 alleged to have been lent to the defendant, who counterclaimed for the return of the certificate.

Pritchard, J., held that the Court could not help him to recover it. The arrangement was in contravention of the Exchange Control Act, 1947. The reason why the transaction was not in fact carried out was that the contract had been frustrated by the plaintiff, not that the defendant had repented. The deposit of the certificate sprang from the main illegal agreement and was tainted with the same illegality; thus the defendant was not entitled to ask the Court to help him to recover it.

Bailment

The plaintiff in *Tinsley v. Dudley* (*Law Times*, January 19th, 1951) left his bicycle in the yard of a public-house while having a drink inside. On the gates of the yard were the words 'closed yard and garage'. While inside, the bicycle was stolen and the owner brought an action for damages. There was no attendant to look after any vehicles which might be brought into the yard and the plaintiff did not tell the defendant that he had left the bicycle there.

The Court of Appeal held that the defendant was not liable. The defendant was admittedly not a common innkeeper and, therefore, would not be liable unless it could be shown that the plaintiff had expressly or constructively delivered the bicycle into his keeping; it was thus irrelevant to consider whether the plaintiff was an invitee or licensee. On the facts, while there was a general invitation to customers to leave their vehicles in the yard there was no delivery of possession, actual or constructive, to the defendant who was, therefore, not liable.

Theft of Car from Inn Car Park

The plaintiff's car was stolen from the car park of a common inn into which he and some friends had gone for a drink. When he left he found that his car had gone. The park was a space contiguous to the inn and on one side bore the name of the inn and on the other the sign 'Car Park. Patrons only. Vehicles are admitted to this parking place on condition that the proprietor shall not be liable for loss of or damage to (*a*) any vehicle, (*b*) anything in or on or about any vehicle, however such loss or damage may be caused. R. W. L., Proprietor.'

It was held by the Court of Appeal that the plaintiff could recover. The loss of goods by a guest of an inn was recoverable if the guest could prove that he was a traveller; that in this case the plaintiff was a traveller in spite of the fact that he lived near by and had to pass his home in order to reach the inn; that the car park was within the *hospitium* of the inn; that the notice would not relieve the defendant of his common law liability. Denning, L.J., dissenting, held that the place was not a safe place in which to leave a car and that the innkeeper was entitled to protect himself from strict liability by putting up such a notice. (*Williams v. Linnitt*). (*Law Times*, January 26th, 1951.)

Pay Cash or Order

The plaintiff in *Cole v. Milsome* (*Law Times*, January 26th, 1951) received two instruments drawn in the form of cheques by the defendant and paid them into her account. They were dishonoured. In an action for their amount, she was defeated in regard to the first but succeeded on the second.

The first was drawn 'Pay cash or order' and it was held that this was not a bill of exchange and was not drawn payable to or to the order of a specified person or to bearer within Section 3 of the Bills of Exchange Act, 1882. Thus no action could be maintained on it as a bill of exchange. The second was drawn in favour of the plaintiff, but was handed to her by an intermediary in fraud of the defendant. The learned Judge, Lloyd-Jacob, J., found that the payee had acted on what she believed to be the implied request of the defendant in dealing with the cheque as she did (she had drawn cheques on her account against this cheque) and there was thus sufficient consideration to support an action against the drawer.

Bailment: Larceny

A case decided by the Stamford borough justices was referred back to them by a Divisonal Court with a direction that it was covered by Section 1 (2) (iii) of the Larceny Act, 1916, and that accordingly the defendant must be convicted. The defendant in *Rose v. Matt* bought a model aircraft engine from S. at the cost of £2 10*s* and, not having the means with which to pay, deposited a travelling clock as security on the condition that if the money was not forthcoming within a month S. could sell the clock. S. put the clock in his showroom from which it was taken by the defendant. The justices while accepting that S. was the owner within the meaning of the Larceny Act, held nevertheless that the defendant did not intend to charge the bailee with the loss of the clock.

Giving judgment the Chief Justice, Lord Goddard, said that the defendant by taking the clock deprived S. of his special property in it. Thus the defendant was guilty of larceny in taking the clock away. (*Law Journal*, February 2nd, 1951.)

Gaming Debt

Yet another case, in which what was described as an attempt to avoid the gaming laws, was made was

frustrated by Croom-Johnson, J., in *Coral v. Kleyman.* (*Law Journal*, February 16th, 1951.) The plaintiff, a bookmaker, undertook not to report the defendant's son to Tattersall's in consideration of the defendant's undertaking to pay the debt. The latter later contended that the debt was irrecoverable under the Gaming Act, 1845, Section 18.

The learned judge applied a very recent case – *Hill v. William Hill (Park Lane) Ltd* ([1949] 2 All E.R. 54) – and held that the action was brought to recover a sum of money which was irrecoverable under the Act; the sum not being recoverable, forbearance to report the son was not adequate consideration for the father's promise; and that the promise could not be brought within Section 1 of the Act. 'The whole arrangement is a mere device . . .' to which the Court would not lend its authority.

Assignment by Tenant

A lease provided that the tenant should not assign without the written consent of the landlord, such consent not to be unreasonably withheld, and, further, that 'any refusal by the lessor to consent to any particular assignment . . . shall not be deemed to be an unreasonable withholding of consent by reason only that the lessor at the time of intimating any such refusal may offer to accept from the lessee a surrender of the tenancy hereby created and in the event of any such offer being made by the lessor the lessee within three calendar months after receiving such offer shall . . . withdraw his application for the lessor's consent to assign. . . .' In reply to the lessee's application, the lessor intimated that she was willing to accept a surrender.

Roxburgh, J., held that the scope of Section 19 of the Landlord and Tenant Act, 1927, could not be restricted by an agreement or stipulation in the lease that certain things should or should not be regarded as unreasonable. Thus consent was unreasonably withheld in this case. 'If it were possible for the parties to stipulate in the lease that certain things should not be deemed to be unreasonable, they could surely stipulate that nothing shall be deemed to be unreasonable, and that would be a complete stultification of the Act.' (*Re Smith's Lease, Smith v. Richards*). (*Law Journal*, February 2nd, 1951.)

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Fixed Assets and Inflation

SIR, – In his letter on fixed assets and inflation in your issue of March 3rd, 1951, Mr A. Pakenham-Walsh admits that replacement cost accounting might deprive preference shareholders of their dividends, but justifies this on the grounds that the long-term health of industry is of overriding importance; in other words, he presumably claims that if replacement cost accounting is not adopted industry will languish and the preference shareholder will lose more in the end than he would if he accepted the new method.

I endeavoured to deal with this point in the last part of my letter in your issue of January 27th, 1951, and Mr Pakenham-Walsh as an economist will no doubt agree with the argument there set out.

To be more precise, the outstanding fact in these days of inflation is that business men have not only replaced their equipment and stocks as required, but have added at an unprecedented pace to the volume of those assets. On this count industry was never more healthy. Now savings each year are equal to this investment for this equality is undisturbed by the fact that the sum of money involved is more than double what it would have been in 1939. Since these savings, one way or another, are available to business men, industry will not languish because we continue to calculate profits by orthodox methods, whereupon we see that replacement cost accounting is not essential to the welfare of the country but is a device which will ensure that the original owners of a business retain that ownership in spite of inflation.

This is in line with what we see going on around us, for real wealth is being maintained and the money to finance it is being found, often from outside sources which normally would be tapped for expansion, but today is required by businesses which have not increased in size. We can have sympathy for the heavily taxed business man under these circumstances yet still be justified in retaining orthodox accounting methods, for as accountants we must not allow sectional interests to influence our judgment.

This seems to me the correct approach to the problem, but economics is a wide subject and it would be interesting to know by what other approach Mr Pakenham-Walsh claims that orthodox accounting in times of inflation is incompatible with the long-term health of industry.

Yours sincerely,
H. A. BRISCOE.

King's Norton, Birmingham.

Decimal System of Analysis

SIR, – I have seen reference in certain books to the use of a decimal system (similar to the Dewey system used in public libraries) for the purpose of analysis of expenses, purchases, etc., in a business firm.

Can any of your readers advise me where a detailed description of such a system could be found?

Yours faithfully,
G. O. B. JOHNSON.

Stockport.

A Long Interview

SIR, – Whilst it is appreciated that the duties of H.M. Inspectors of Taxes are somewhat onerous, surely it is unusual to learn of one, who, as in your issue of March 10th had an interview with Colonel ffruitstone lasting from afternoon till (apparently) the following morning! (Article: 'The Inspector of Taxes interrogates: Casual labour for fruit-picking', by Wilfred Tullett, F.S.A.A.)

Yours faithfully,

Beckenham, Kent. A. WOOLLEY.

[The Inspector's greeting to Colonel ffruit-stone is 'Good afternoon, Colonel', and bidding him farewell he says, 'Good morning, Colonel'. Mr Tullett writes: 'With sorrow I admit I have overworked the Inspector. I can only hope that he will make an immediate application for leave! Whilst I know that most Inspectors are constant and unwearied in application, it seems that in this case I have carried the Inspector's assiduity just a shade too far!' – Editor.]

Wrong Envelopes Problem

SIR, – Mr Temple's elegant solution in your issue of March 10th has prompted me to reconsider my alternative (issue dated February 17th), which I now hasten to withdraw. I am sure that, had the office boy not been in such a hurry, he could have spotted the fallacy in my letter and found the right envelope for it as well.

Yours faithfully,

Coventry. J. B. WOODHAM.

Articled Clerk's Premium Returned as Salary: Income Tax

SIR, – With reference to 'An Articled Clerk's' letter in your issue of March 10th, the following practical example may prove useful.

An articled clerk's parents paid a premium of £200 for 5 years, and the articled clerk received £25 in the first year, £40 in the second year, £65 in the third year, £80 in the fourth year and £120 in the fifth year, as remuneration.

The computation of income for tax purposes was:

Year	*Received*	*Premium set off*	*Relief*	*Income*
	£		£	£
1	25	1/5th of £200, limited to ..	25	Nil
2	40	1/5th of £200 .. =	40	Nil
3	65	1/5th of £200=£40+Relief brought forward from year 1, £15 .. =	55	10
4	80	1/5th of £200 .. =	40	40
5	120	1/5th of £200 .. =	40	80
	£330		£200	£130

Hence the remuneration received to the extent of the premium paid was treated as return of capital, and the balance as income.

Yours faithfully,

Plymouth. E. G. HOARE, A.C.A.

Valuation of a Mortgage for Probate

SIR, – I find myself in disagreement with a firm of solicitors concerning the valuation for purposes of probate of a mortgage forming part of a deceased's estate. The mortgage is for £2,000 at 4 per cent secured on shop property which was completely destroyed in the war. Interest has not been paid for ten years prior to the deceased's death, though a settlement of the war damage claim will eventually enable all arrears of interest to be paid after the estate has been wound up.

For purposes of probate the value of a mortgage would ordinarily be the face value plus any accrued interest since the last quarterly interest date. In this case, however, it is maintained that the value of the mortgage must include ten years' arrears of interest up to the date of death less deduction of tax at the standard rate – that is, £2,000 plus £800 interest less tax £360, making a total of £2,440.

I should have thought that the value of the mortgage should have been restricted to £2,000, and that no arrears of interest less tax should be brought in at all, since no interest has in fact been paid.

It may be, however, that the arrears of interest less tax will have to be included among the assets of the estate as a debt due at death. I should be interested to hear the views of others, who may have had experience of a similar case, as to whether such arrears of unpaid mortgage interest are normally included among the assets of an estate for assessment to estate duty.

Yours faithfully,

EXECUTOR.

Calculation of Distributions for Profits Tax

SIR, – I thank Mr E. G. Lambard for his very interesting reply, published in *The Accountant* dated March 10th, to my letter published on February 17th. I do not dispute Mr Lambard's interpretation of the Act in a spirit of dogmatic certitude, but I think the whole intention of Section 2 was to circumvent any action taken, on the Act becoming law, to declare dividends for earlier periods so as to dodge any increase in distribution charges, and there would appear no point in throwing the excess forward to a further period with the added complexities which would arise from this course. Presumably the dividend in question was declared in general meeting and expressed to relate to the period ended June 30th, 1950, and had this not been so, I do agree that the dividend would be related to the period in which it was paid (Section 2, subsection (4)). Subsection (5) which confirms Section 35 (5), Finance Act, 1947, dealing with the manner of declaring dividends, further sustains this view. The old controversy as to whether such excess should be treated as a provision or reserve does not need to be raised and this to my mind, is the best reason why the excess should relate to the chargeable accounting period ended June 30th, 1950.

Yours faithfully,

E. W. ROCKHALL, A.I.A.C.

Wimbledon, SW20.

AMERICA AND BRITAIN TODAY

Address to the London and District Society of Chartered Accountants

An address entitled 'A candid report on a visit to America' was given by Mr Beverley Baxter, M.P. following a luncheon held by the London and District Society of Chartered Accountants at the Connaught Rooms, Kingsway, WC2, on Tuesday, March 13th, 1951, attended by about 250 members and guests. Mr E. F. G. Whinney, M.A., F.C.A., Chairman of the Society, presided.

Quoting an epigram of Oscar Wilde that 'Youth is America's oldest tradition', Mr Baxter said that as a nation 'they are incorrigibly young; if you like, they are magnificently young'. In this country we had roots, but in America the great trek was still on, though now the covered waggons had rubber tyres, internal combustion engines or even wings. We must appreciate that in such a country, with its mixed population made up of so many races, there was a violent diversity of opinion.

> 'America is young. It is vital. It is confused. It is like a giant, with a giant's strength but not yet a giant's understanding.'

One thing the American hates, said Mr Baxter, is 'to feel that he is a sucker'. At the moment, the suspicion that he pours out his dollars and gets nothing in return was colouring his judgment.

Commenting on the recent speech of ex-President Hoover, Mr Baxter continued:

> 'Make no mistake, gentlemen. Hoover's speech unleashed all the unexpressed, submerged, natural isolationism of the United States. It is deep, deep, deep in the American character and you cannot blame them. . . .
>
> 'The almost incredible and magnificent thing is that after the first support of Hoover, the country slowly rallied to the administration in the belief that they must take their place over here by the Western powers. Gentlemen, I consider that one of the great moments of history.'

It had distressed him during his visit, said Mr Baxter, to find that the majority of Americans drew no distinction between Britain and the other countries receiving Marshall Aid. He had always believed that we ought not to take the American dollar as charity. The only way we could do business with America was on an equal basis.

In conclusion, Mr Baxter said that now, war, which had seemed inevitable, might be avoided.

> 'If it is so, we owe much to that race of people over there, with its hundred, its two hundred racial origins, separated by vast distances, who somehow, by some process, have realized at once their strength and their responsibilities.'

NOTES AND NOTICES

Chartered Accountants of Scotland

APPOINTMENT OF FULL-TIME SECRETARY

Following confirmation in December last of proposals for the amalgamation of the Society of Accountants in Edinburgh, the Institute of Accountants and Actuaries in Glasgow and the Society of Accountants in Aberdeen, into one body to be known as the Institute of Chartered Accountants of Scotland, the Joint Committee of Councils has appointed Mr Eardley Harold Victor McDougall as secretary designate of the new Institute.

Mr McDougall is a solicitor, and is at present senior under-secretary of the Law Society in London, an office which he has held for the past twelve years.

Census of Distribution Reminder

We are asked by the Board of Trade to remind traders that the Census of Distribution forms sent out at the beginning of the year should be completed and returned by March 31st. The only exemptions are for those traders who have asked for an extension because their business year ends between December 31st, 1950 and April 6th, 1951. Completion of the census forms is compulsory under the Statistics of Trade Act.

Manchester Society of Chartered Accountants

The winter session of lectures for members of the Manchester Society of Chartered Accountants will conclude on Wednesday, April 4th, when Mr N. G. Lancaster, M.B.E., A.C.A., will talk on 'Standard costs and budgetary control'.

The meeting is to be held at the Chartered Accountants' Hall, 60 Spring Gardens, Manchester, and will commence at 6 p.m., preceded by tea at 5.30 p.m.

Personal

Messrs Chalmers, Wade & Co, Chartered Accountants, of London, Liverpool, etc., announce that as from March 31st they have admitted into partnership Mr J. N. Thurgood, A.C.A., who served his articles with them and who has been, for some years, a senior member of their London staff.

Messrs Littlebury & Osborne, Certified Accountants, of 76–77 Gamage Building, Holborn, EC1, regret to announce that Mr William Robert Littlebury, F.A.C.C.A., died suddenly on March 3rd, 1951. The practice will be continued by the remaining partners, Mr J. G. Hook, F.A.C.C.A., and Mr E. G. Watson, F.C.A., F.A.C.C.A., under the same style and at the same address.

Messrs C. F. Bird & Co, Chartered Accountants, announce that the partnership between Mr C. F. Bird, F.C.A., Mr W. H. Johnstone, F.C.A., and Mr A. J. Hebblethwaite, F.C.A., has been dissolved as from January 1st, 1951.

Mr Cyril F. Bird, F.C.A., announces that he has entered into partnership with Mr David F. Webster, A.C.A., as from January 1st, 1951, under the name of C. F. Bird & Co, and will practise at 46 Bedford Row, London, WC1.

Messrs Sinclair, de Mesquita & Co, Chartered Accountants, Ibex House, Minories, London, EC3, announce that Mr Leonard Irvine, A.C.A., who has been associated with them for some years, has been admitted a partner as from March 1st, 1951. The style of the firm will remain unchanged and the practice will be continued from the same address.

Messrs Tribe, Clarke, Painter, Darton & Co, Chartered Accountants, of 43–44 Broad Street Avenue, Blomfield Street, London, EC2, announce with much regret the death, on March 17th, 1951, of Mr A. B. Lucas, F.C.A., who had been associated with the firm for many years. The practice will continue to be carried on by the remaining partners, and the work which Mr Lucas supervised will, in future, receive the personal attention of Mr H. Gwynne Evans, M.C., F.C.A., and Mr John L. Mawhood, A.C.A.

Messrs Chester Newman & Co, Chartered Accountants, of 72 Victoria Road, Surbiton, Surrey, announce that as from March 26th, 1951, their main offices will be at 29 London Road, Twickenham. Their present address of 72 Victoria Road, Surbiton, will be continued as branch offices only.

Messrs Kemp, Chatteris & Co, Chartered Accountants, of 1 Throgmorton Street, London, EC2, announce that Mr Herbert J. Page, F.C.A., having decided to relinquish professional practice, retires from the firm on March 31st, 1951.

Our Weekly Problem

No. 39: The Boat Race

'I am sorry Oxford lost the boat race', said Mr L. U. Sidate.

'Why?' asked his friend Mr U. N. Ravel.

'I have a fellow-feeling for crews that know the Thames. In my college days we used to train by taking the boat below locks and going for a good long row. Downstream we rowed at an average speed of 12 miles per hour to a spot we called Black Weir; coming back our speed was $7\frac{1}{2}$ miles an hour, so it took 18 minutes longer. It was a successful method', added Mr Sidate. 'We won the Ladies' Plate at Henley.'

How far was Black Weir from the lock?

The answer will be published next week.

Answer to Problem No. 38: Rowing Men

If stroke side is made up of:

	Total Combinations
(*a*) the three who could only row on stroke side, the remaining six could fill bow side in 15 ways	15
(*b*) the elder brother and two of the three (i.e. three combinations), the remaining five could fill bow side in five ways	15
(*c*) the younger brother and two of the three (i.e. three combinations) bow side can only be made up of the four excluding the elder brother, otherwise the combinations will repeat those in (*b*)	3
(*d*) the two brothers and one of the three (i.e. three combinations), bow side can only be made up of the four	3
	36

It therefore took 36 outings, i.e. 18 days to select the crew.

The Accountant

ESTABLISHED 1874

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THE ECONOMIC SURVEY

As time goes on the annual Economic Survey becomes less and less a blue-print of conscious, purposive economic policy and more and more a running commentary on the economic state of the nation. At some points, it is true, there emerge broad desiderata and targets but their attainment is couched in terms of anxious hope mingled with expectation, and the categorical imperative is noticeably absent. This is fair comment on the Economic Survey for 1951 published this week.

The reasons for this change are not far to seek. On the one hand, there is much less confidence in Government circles than there was a few years ago about the efficacy of 'planning'. On the other, the influences which could have a deleterious effect on the economy are now on the whole external rather than internal. This fact has been in evidence for some years, of course, but it is particularly so at the present time.

Apart from one or two fleeting hints about controls and taxation (matters on this latter subject will be much clearer next week when the 'master' document is available, the Budget), the Survey offers no more than a recapitulation of economic policy as it has been expounded to date. Indeed, it is not until the reader gets to the chapters on the balance of payments and the national income that some interesting new material comes to hand. This in turn is not so much revealing as a guide to a comprehensive policy (for which indeed one looks in vain) as a preview of the White Papers on the balance of payments and the national income which will be published in the next week or two.

The central problem for the year, which is set out with simple clarity in the Survey, can be summarized in a statement of fact and two questions. The fact is the need for the country to shoulder a large burden of rearmament – a bill of £1,300 million out of total resources available of some £14,500 million. The questions posed by this fact are: How large a fall in the standard of living does this imply? What are the implications of such a figure for defence on the country's external position? In addition to these questions, the public wish three others to be answered which are these: How does the Government propose to get the necessary funds and what are the fiscal consequences (questions that will be answered next Tuesday); how does the Government propose to influence the allocation of resources and man-power in order to bring about the physical counterpart of the fiscal changes? (The answer to this question might have been found, it could be argued, in the Survey, but the reader will look for it with only a modicum of success.)

Having accepted the central fact of the rearmament programme, the Survey sets about answering the first question, about the

standard of living. Certain expectations and broad aims (all of them already known) are set out. They may be briefly summarized. An increase of 4 per cent in national productivity is very tentatively assumed, which should produce an additional £325-million-worth of goods and services. To this may be added a further net increase in imports for current use, giving £350 million. Against this there will be an increase in public expenditure of £400 million and no change in the rate of capital investment. In consequence, there may be a fall in personal consumption, alias the standard of living, of £50 million or about ½ per cent. Clearly, it would require only a small decrease in the assumed 4 per cent rate of increase in productivity to make a further and serious encroachment on the standard of living. Even as it is, this reduction is likely to appear severe enough, for it is likely to be concentrated on such key items as textiles, consumers' capital equipment (such as cars and radios, but *not* housing) and household utensils. This fact should be borne in mind when considering the decline of ½ per cent, which at first sight might not appear to represent any large sacrifice from the consuming public.

There will be no net change in home investment since any increase in fixed investment is expected to be offset by a decline in working stocks.

This concentration on certain goods will arise from the need to keep exports to an ever higher level. The causal chain is as follows: The defence programme makes its main demands on a limited field of industry in the first instance – mainly engineering. This wide and ill-defined category is a major, perhaps the principal, group of exporting industries. Since it cannot maintain its export performance, others must be found which can be expanded. Hence the proposed concentrated switch of certain consumer goods categories into the export market.

A major cause of anxiety, however, is whether it will be possible to supply industry with the raw materials to achieve this 4 per cent. Fears of shortages arise, not from lack of foreign exchange (a problem which ironically enough has disappeared with the world-wide rearmament drive), but inability to get supplies in world markets. At home, cautious targets are set for coal and steel. Electricity load-shedding is expected again next winter. Much depends on the ability to increase the supply of machine tools, both from home production and from abroad. There may be a shortage of textiles caused by lack of supplies as well as larger demand. A slight increase in agricultural produce is expected.

The second question concerns the balance of payments. Since increasing production this year is going to depend to such a large extent on getting adequate supplies of copper, zinc, sulphur and other imported raw materials, some strain on the external account is to be expected Fortunately, last year this country had the larges external trade surplus for thirty years. There is therefore a reserve of foreign exchange, albeit a slender one, to draw upon. The Government has decided that this reserve must be touched only as a means of financing strategic stock-piling. All other imports must be met by exports. The import bill (excluding stock-piling) is expected to be about £3,200 million. Invisible export (such as shipping and interest payments) are expected to produce £450 million, leavin £2,750 million to be earned by visible exports Some of this (it involves an increase of £52 million on last year) will come from highe export prices, but a greater volume of export will also be necessary. The Government is t discuss a new set of export targets with industry

This whole plan of campaign is both ambitiou and worked out to fine tolerances. These narrow margins arise, not from overweening confidenc on the part of the planners, but from the natur of the problem. The economy is already at fu stretch: there is no slack to be taken up. I consequence, small switches in man-power, equip ment and materials will have a magnified signif cance for the common weal. The tools of econo mic policy which are now being forged to carr out these delicate adjustments are, to judge fror the Survey, hardly adequate. To begin with, ther is a lack of comprehensiveness in overall policy a tendency to let existing trends take their cours (this is particularly true about the use of man power) and to pursue an opportunist line a events turn out. There is, it is true, a commenc able unwillingness to blunder into an elaborat system of controls and allocations for men an materials. But the Survey is less purposive tha today's conditions require.

THE PROFESSION OR INDUSTRY?

PROBLEMS FACING THE NEWLY-QUALIFIED ACCOUNTANT

by J. O. W. SWINDLEHURST

We reproduce below part of an essay entitled 'The profession or industry for the newly-qualified accountant' which was awarded the first prize in the senior essay competition for 1950 of the Union of Chartered Accountant Students' Societies. The author is a student, sitting for his Final examination next May, so his ideas are those of the man with the decision still to make.

Specialist or Beast of Burden?

WILL the reader please accept as fact that the word 'professional', as applied to an accountant, connotes a free-lance specialist natching his own brain and personality against the vorld in a vast range of problems the solution of vhich requires not only sound knowledge but also nerring judgment and strength of character. Vhereas the accountant in industry is merely a vell-paid beast of burden (albeit, a pretty clever east) who is doomed to serve a master or series of nasters throughout the whole of his working life. Iis status can vary between wide limits. At its lowest : is simply that of a specialist clerk: at its highest, hat of a house-trained adviser in matters of finance.

Salaries

Iany more than half of the young men and women vho are destined to stagger out of the Institute of Chartered Accountants' oppressive examination halls uring the years to come will direct their feet towards he pleasant pastures of commercial and industrial ccounting. If it is in fact the case that they are nereby choosing the worse career, then why do they o it? Part of the answer is, as might be expected, olely economic. Without being absolutely certain on nis point, it does seem that, initially at any rate, the cale of salaries offered by industry and commerce ; appreciably better than that obtainable in the mploy of a professional accountant. Not only nitially, but for many years the salary lead appears) lie outside the profession unless the young accountnt has been able to sink a large capital sum into the urchase of a worth-while share in a professional ractice. This economic factor must constitute a owerful consideration.

Attractions of Commerce and Industry

ut money is not everything, or so we are assured, nd it is possible to discern some further attractive atures afforded by an accountancy career outside ne profession. How extremely satisfying it must be) enter some great commercial or industrial concern nd there, stage by stage, to introduce to it new nethods of accounting and new systems of routine;) track down and eliminate waste and glaring nefficiencies; to investigate the economics of new rocesses and methods; to devise quicker and better neans of extracting management data from the books; to toy with innovations in the published accounts; to advise, and warn, and encourage, and cajole, in a sphere of operations where the accountant is the acknowledged expert. All this must be most exhilarating.

To the Electronic Age

In industry the motto seems always to be 'he who rests, rusts'. In a few years from now the bookkeeping machines and punch-card systems which today seem to be the last words in accountancy mechanization and modernization will be looked upon as antiquated gadgets pinning down valuable labour and office space. We are moving rapidly into the electronic age and soon we shall see the first efforts of the futuristic school of 'book-less' bookkeepers, with cathode and anode replacing debit and credit, with ledger sheets giving place to simple impulse registers, asset accounts no more than an electric charge stored in a tiny condenser, whilst the day-to-day bustle of business will be recorded by whirling streams of electrons. These developments are certain to come. They may even be just around the corner. There will doubtless be a fierce rearguard action fought by the diehards of the quill and copperplate brigade, and in the conduct of a fighting withdrawal none surpass this stolid force who have been engaged in stubborn retreat ever since the introduction of the steel nib and carbon paper first degraded their calling. Whatever form these new developments are destined to take, could there possibly be any greater enjoyment in life than to be a member of the pioneer band of skilled accountants in industry and commerce who, in the years to come, will have the honour of bringing them to fruition?

Frustrated Lives

However, as may be surmised, this colourful sketch of the work of an accountant in industry is not the full picture. Few indeed will experience the exhilaration of the life outlined in the foregoing paragraphs. There is another aspect which is far from attractive. The vast majority of accountants in industry and commerce are destined to lead frustrated lives, borne down by the weight of dull system and orderly routine; lives, unleavened by pioneer work and original thought and decision. Somehow or other small men with small minds strive in their early years to build round themselves a light framework of

routine to bring order and ease to their daily lives, but as the years pass the framework thickens to become their prison. The reasons for this are not clear, but it is possible that a primary cause for the terrible frustration which is almost bound to smite down the average (as opposed to the outstanding) commercial accountant, may well be the inherent pettiness of the type of mind which prefers the role of big-fish-in-small-pond rather than to stake all life's energy and zest in a furious battle of personal assertion in the raging torrents.

We all recognize that familiar figure, the broken accountant in the small concern, unwilling to delegate responsibility, blind to the faults in his system, offensive to his subordinates, servile in the presence of his superiors and from whose crabbed brain the last traces of originality and enterprise have long since crept quietly away. His life is bounded now by the cash-book, private ledger, the monthly trial balance and his dreams of what might have been. A pathetic figure to be sure, whose only comfort is the knowledge that he is but one of the great host of men who give up the struggle the day after qualifying and choose to take what appears to be the easier path, seeking riches, position and leisure without paying the forfeits of endeavour and achievement demanded by the gods for these precious bounties.

Full Savour of Life in the Profession

Many consider that it is in the profession that life really begins to acquire its full savour, but, of course, this can only apply to the accountant who has the requisite mental and moral capacity to forge his way. The standard of pure knowledge required is very high, being considerably higher than that required in industry, but the possession of that knowledge (or the determination to acquire it) is so fundamental to the career that those who seek to reach the top-most rungs must rely upon something more to carry them there. What exactly constitutes the extra 'something' naturally remains one of the hidden mysteries of life, but on looking around, it would appear that the catalysts which set off the most favourable reactions in the accountancy profession are three in number, namely, painstaking thoroughness, personal integrity of the highest order, and a compelling and distinctive character.

Painstaking Thoroughness

Firstly, painstaking thoroughness. One often hears the expression 'an infinite capacity for taking pains' bandied about with reference to all manner of occupations and careers. As a phrase it is a particular favourite of schoolmasters. But if there was ever a profession in which precision brought about by patience and care was a primary requisite, then it must surely be that of accountancy. If accuracy is not to be the criterion in accountancy, then all other aspects of the accountant's work will be rendered quite valueless; and accuracy, where figures are concerned, means painstaking thoroughness.

Personal Integrity

Secondly, personal integrity. The psychiatrists hav coined a new phrase of late. A man is said to b possessed of a high standard of moral fibre. Well whatever that may mean (and somehow it seems t conjure up the vision of a self-righteous bulb grower) it is certainly not good enough for a profes sional accountant, who must have nothing less tha the highest level of moral integrity entirely divorce from considerations of personal gain or expediency This is of particular importance in the early year when the newly-qualified professional accountant struggling hard to build up his own small practice may find himself subject to various demoralizin stresses and temptations. Later on ethical standard become so ingrained upon the soul of the establishe accountant that temptations do not arise.

Character

Thirdly comes the question of character. The pro fessional accountant who is to achieve anythin worth while must have a really positive characte It seems to matter little whether the character i positively angelic or positively foul (there is evidenc to suggest that either will serve to bring a fair measur of success!) but it must be positively something Nonentities are barred from the top. The profes sional accountant must be able to dominate the mind of all those with whom he comes in contact by th mere exercise of his personality and character. Th desired result must be that of the iron hand of ruth less self-confidence thrust deep into the soft velvet glove of discretion, courtesy, tact and charm.

Success

For the rare man blessed with a blend of these thre main qualities plus just those few traces of luc without which all human endeavour is frustrate success as a professional accountant is assured. neat little slogan, oft quoted in business circle runs: 'There's always room at the top.' It applie in the accountancy profession if one adds the littl proviso 'but not much'. Aye, there's the rub, th path to the top of the accountancy profession is stee and well strewn with boulders. By far the great proportion of those who would attempt the clim will falter and drop along the way, most of them we short of the summit. But fortunately the failure only comparative. For hundreds of accountants, the careers in the profession, whilst not necessarily fu filling their early hopes and ambitions, bring a fu measure of contentment and satisfaction. At eve stage much more satisfying than an equivale position in commerce or industry.

Effect of Major Decisions

Possibly one of the saddest things in life is that fe of us will ever have an opportunity to reconsider ar alter those major decisions which must be made fro time to time, and which, taken one with the othe pattern our existence on this earth. Such things

he choice of school, the choice of one's life partner, he choice between alternative plans in the heat of attle, these and many other vital decisions tend to e irrevocable. So it is with one's choice of career; vhilst it is always physically possible to lunge into ome fundamental change of plan, few will be able o do so and yet emerge unscathed. Particularly does his generalization apply in the case of the newly-ualified accountant. Once launched into the world f commerce or of industry there is little hope of uccess should he subsequently wish to revert to he profession. It is not impossible, but it is a very azardous step indeed. In theory the converse should pply, but it does not in fact. Indeed, if further proof vere to be required in support of the contention that n accountancy career in industry is inferior to pro-essional practice, it is surely provided by considera-ion of the ease with which a professional accountant nay step down from his practice at any stage in his areer and take up an appointment in industry. That not all, for if he should elect to enter industry after lengthy term in the profession it will be the 'plum' ppointments which will be offered to him, much to he chagrin of his contemporaries who, years earlier, hose to spend their lives in the very industry into vhich he now descends.

Partnership: the End—

o it looks as though every young newly-qualified ccountant who has the necessary confidence in him-elf (and this is an important point) would be well dvised to eschew the phoney glitter which seems o emanate from industry and, without wasting one noment of time after qualifying, should redouble his fforts and strive to carve out for himself a career s a professional accountant. Put in these terms the ourse of action would appear to be simple enough. ut not so. To enter the profession must, of course, e taken to mean the acquisition sooner or later of a artnership, unless one is to be a sole practitioner, nd the acquisition of a partnership seems to require ither great wealth, great luck, or great age, with a ot of worry due to debt or overwork thrown in for ood measure.

—the Means

o much for the end; what of the means? The usual ourse followed by a newly-qualified accountant hose heart lies in the profession is to find employ-nent with an established firm. The purpose is to ain further experience, but in fact he may receive othing more than a surfeit of squalid routine even nore depressing than might have been the lot of the retched fellow had he entered commerce. Why not ke the bolder course and plunge straight into ractice on one's own account, or alternatively, borrow ifficient capital to purchase a share in an existing artnership? It is certainly a daring course since the oung man will still have much to learn, but he will arn all the more quickly as a principal and he will xperience that most satisfying feature of profes-onal practice, to wit, a jogging relationship between his ability and personality on the one hand and his income and reputation on the other.

Rapid Decision Essential

Though it is desirable that the newly-qualified accountant should make up his mind quickly to enter either the profession or industry, if, perchance, he is at all beset by doubt his soundest course is probably to enter the employ of some well-established profes-sional firm. In war a good general tries to retain the freedom of manoeuvre usually afforded by high ground. The young accountant will enjoy a similar freedom of manoeuvre by spending a year or two in the profession instead of trapping himself in one or other of the defiles of commerce. Moreover, to continue in the military vein, there is that old battle-school slogan to bear in mind: 'time spent in recon-naisance is seldom wasted'.

He who scrapes through his Final

But what of the young man who is not terribly happy in accountancy and who has only just managed to scrape through his Final examination? He has nothing to offer the profession and therefore will be unable to gain anything from it. He must look to industry or commerce, and seek there a post which he feels will be within the limits of his capabilities. However, this situation is far from being a desperate one, for the feeble accountant may well be a first-class business man or administrator. Once divorced from his text-books and set free from the day-to-day routine of accountancy, the young chartered account-ant may be able to turn his hidden talents to very good account in some other aspect of business life, leading possibly to a most brilliant career.

For the dull fellow there are numerous possi-bilities, though none of great consequence. He will seek, and find, we trust, some secure post in a quiet backwater of commerce or government service, a post in which satisfactory and unspectacular work will bring suburban respectability during his working life and a restful pension on retirement. He will also enjoy one further comfort; he will be able to sit back and watch all the ambitious, forceful, dynamic, rest-less and hard-working men of genius overtaking him and beating him in their mad race to the near bank of the icy Styx. He will never be goaded by that provocative little plaque which one finds screwed to the desks of so many American business men which says, 'If you're so darned smart, why ain't you rich?'

Key to the Choice

In conclusion it would seem that the key to this per-plexing choice between industry or commerce and the profession lies in one's own individual ambition as tempered by personality and capacity. Each and every newly-qualified accountant must assess his own worth, with or without recourse to a market test, and choose accordingly, bearing in mind that the harder the task and the more onerous the burden the greater the reward either in terms of material things or in terms of personal satisfaction.

THE USE OF PUBLISHED ACCOUNTS–III

THE VIEWPOINT OF A CREDITOR

by L. C. MATHER
Assistant General Manager, Midland Bank Ltd

IT will be appreciated that in the relatively short time which I have at my disposal I cannot pretend to enter into a detailed analysis of all features of the balance sheet. What follows, therefore, is merely an outline review from which it will soon be apparent that the practical banker obtains much guidance and invaluable assistance from an examination of the balance sheet and profit and loss figures of his customer duly prepared and audited by a member of the accountancy profession. In fact, we repeatedly rely upon the auditor of trading customers for the speedy preparation and audit of the half-yearly or yearly figures so that a prompt review can be made of the success or otherwise of their trading and the strength of their current financial position.

A Valuable Source of Information

Obviously, a balance sheet is a most valuable source of information which can form a sound basis for dealings with a customer. The stability of the business can be readily ascertained and questions can be asked which will lay bare the facts behind the figures. We shall see as we progress that the method of presentation of the figures by the auditor can materially affect the ease and speed with which the banker can collate the information which he wishes to draw from the balance sheet. For the purpose of example, two balance sheets of an entirely fictitious company – Perfect Balance Co Ltd – have been prepared[1] and I propose to base my discussion on the relative items and the order and manner in which they appear. The same principles apply to the balance sheet of a sole trader, partnership, or other incorporated body.

Purpose of Balance Sheet Analysis

Let us first decide why a banker normally requires to analyse a balance sheet and the accompanying accounts of a customer. I think the following three headings may be distinguished:

(1) To assess the financial strength and capacity of a customer as borrower and/or guarantor or perhaps for some other contingent liability.

(2) To assess the value of a floating charge on the assets of a company held as security usually for the indebtedness of the same company.

(3) To assess the value of unquoted shares in a company.

The Audit Certificate

It is impossible to achieve any of these objects without studying figures which are known to be accurat because they are supported by the certificate of qualified auditor. The first concern of the banker accordingly, is the audit certificate which is rea closely so that any criticism or qualifications contained therein can be applied to the relative item when considered from the banking standpoint. Perhaps the auditor is of the opinion that inadequat reserve has been made for doubtful debts or that th depreciation written off certain fixed assets is in sufficient. Such warning will be noted for discussio with the customer. Secondly, the date of the balanc sheet is of paramount importance. Clearly a balanc sheet extracted, say, eighteen months prior t presentation to the banker is not a safe guide to th present standing of the customer. The figures shoul be as up to date as a reasonable allowance of tim for audit will permit, and yet we often have perforc to accept out-of-date figures. Builders and con tractors particularly as a class appear to find it difficu to produce audited figures within reasonable tim of the balance sheet date. Anything which a accountant can do to reduce such time lag wi certainly be greatly appreciated by the banker.

Assuming up-to-date figures and a clean aud certificate on the lines of Perfect Balance Co Lt there are two entirely separate but complimentar approaches by the banker. Neither is rigid and bo vary in detail according to the type of business an the manifold factors which may affect any particula customer. Nevertheless, the basic principles remai and the different methods of approach may b christened the 'going concern basis' and 'the gon concern basis'.

Going Concern Approach

It will be appreciated that when considering an request for accommodation the lending bank usually requires to know the maximum amou needed for the given purpose and has to be satisfie that such amount, together with other known re sources, will in fact suffice to finance the particul project. Although security will usually be taken f such borrowing, the banker does not expect ult mately to have to realize the security to obtai repayment. No advance will be granted unless the is a known source of repayment which, despite th incidence of taxation, is both feasible and reasonab rapid. A banker is essentially a short-term lend and usually expects repayment in the ordinary cour of business from trade receipts or from the realiz

* The substance of an address by Mr L. C. Mather, Assistant General Manager, Midland Bank Ltd, to the London and District Society of Chartered Accountants on December 5th, 1950.

[1] Reproduced on pages 334 and 335.

ion of specific assets contemplated before borrowing for a fresh purpose. To these general rules there must, of course, be many exceptions occasioned through special circumstances applicable to certain customers. Much of this basic information can be verified from the audited figures. The relationship between the amount required and existing resources; the current financial strength of the concern; the likely profit after depreciation and taxation and any other sources of repayment can all be verified by examination of the balance sheet and profit and loss figures. A study of the annual results of the potential borrower over the past few trading years will furnish evidence of his or their trading ability.

Bank Borrowing Limited to Short-term Requirements

As a general rule the banker will not expect to provide by overdraft or loan more than the proprietors have themselves invested in the business. The largest stake in any concern should usually be that of the proprietors and bank borrowing should, as already indicated, be limited to short-term requirements to meet a shortage of working capital and not to finance directly the purchase of fixed assets. Normally fixed capital by way of shares and long-term secured or unsecured loans should suffice to finance the purchase of all fixed assets and provide a margin for working capital. Where fixed assets exceed in value the fixed capital of a concern the banker regards the position with caution. There is a lack of balance resulting often in a lack of liquidity because the proprietors have to rely entirely upon trade and bank credit to carry their stock, work in progress, and debtors. For preference the relationship between the fixed assets and capital of any concern should be seen at a glance from the balance sheet, and the banker can but deprecate any system which confuses such a basic picture.

Admittedly, the items can always be analysed and marshalled afresh to provide the desired comparison, but the bank manager often has to interview the customer and reach decisions without opportunity for previous study of the figures presented by the customer at that interview. It is, therefore, more helpful if the necessary basic comparisons can be drawn without the need for lengthy calculation in the presence of the customer. Nowadays accounts are usually presented in a readable form making such general review a simple matter. In example A of the Perfect Balance Co Ltd sub-totals permit easy comparison between the capital £246,000 and the fixed assets £219,000, and further perusal reveals that debentures and long-term loans have produced an additional £60,000, making in all a surplus of £87,000 towards working capital.

If anything, the comparison is made simpler in example B which actually shows the surplus of current assets over current liabilities £87,000, equivalent to working capital furnished by the proprietors and long-term lenders. This initial comparison is vital. If the amount provided by the proprietors is inadequate and the financial position thereby illiquid, why should the banker, in the absence of special circumstances, furnish funds which will further upset the position? The need usually is for more capital or long-term mortgage finance instead of bank accommodation.

In both the examples the capital subscribed and the capital amassed by retention of profits can be seen at a glance, whilst due warning is given of other secured creditors with prior rights to the bank. Details of the relative security can be found by search at Bush House but the initial notice often comes from the balance sheet itself. Needless to add, any tendency for overtrading will soon be apparent from examination of the figures. If the customer is endeavouring to trade on a scale much in excess of his cash resources the weakness cannot be hidden behind the audited figures.

To complete the review of the capital position from the going concern angle, the banker must adjust the balance sheet figures according to his knowledge of the purpose of the required advance. If the money is required to buy fixed assets, will such purchase from bank borrowing upset the capital ratio? There will be an increase of fixed assets against an increase of floating credit. When the transaction is completed will fixed assets perhaps exceed in amount the fixed capital? If so, can the position soon be corrected by profits earned and retained in the business? All these (and many more) factors require consideration and I must emphasize that they are not unbreakable, rigid rules but elastic guides to be considered in relation to all other circumstances.

Liquidity – Speed of Turnover – Ratios

Assuming a reasonable liquid position and being satisfied that secured creditors with prior rights and preferential creditors are not excessive (all readily apparent from the audited figures) steps may be taken to verify the current trading position by ascertaining the ratio between trade creditors and purchases; stock and sales; debtors and sales. According to the type of business it will thus be possible to decide whether the customer enjoys normal credit terms paying promptly for discounts or whether in fact extended credit has been taken to finance floating assets. The amount of stock in relation to sales will give speed of turnover and provide warning of stock-piling, whilst the debtor-sales ratio will disclose the length of credit granted to buyers and the speed of collection of debtors. Any unusual features in these ratios can be discussed with the customer and appropriate warnings given or taken by the bank. Finer points will be discussed later.

Source of Repayment

Where the advance is required for a purpose other than temporary borrowing for finance of increased floating assets repayable from their realization in the

ordinary course of business, and there is no other known capital source of reduction – a bridge-over facility pending sale of certain fixed assets or introduction of fresh capital – repayment is usually promised from profits. Analysis of recent results, after due allowance for taxation, will in the light of such published figures enable the banker to decide whether the promised reductions are feasible. Often in practice a borrower confidently promises reductions which his past trading figures show to be impossible. The solution usually is – strange though it may seem to accountants – that the trader omits taxation liability entirely from his calculation.

All these features considered together with innumerable other factors according to the type of customer and nature of his requirements (outside our mandate for this discussion) assist the banker to reach his final decision. To lend or not to lend? There is no point in lending just to postpone the inevitable failure of the borrower or to assist him in his dangerous habit of overtrading, or to enable him to buy machinery etc. which cannot be used because resources are inadequate to finance raw material purchases to feed his machines. Prudence often decrees that in the best interests of the customer his optimism must be discounted and the request for accommodation declined because of danger signals set alight by the auditor when he prepared the balance sheet and annual accounts of the would-be borrower.

Potential Security

In conclusion of our survey of this initial aspect of the balance sheet from the banking angle I may add that the banker can often decide from the balance sheet what direct security is available to cover the suggested facility. The amount of detail in the description of the assets will help here. As we shall see later, attempt can also be made to assess the value of a floating charge offered as security by a limited company. If the advance is granted, future balance sheets and profit figures will be examined to ensure progress of reduction and safety of the balance remaining unpaid.

Gone Concern Basis: General Principles

This second method is complimentary to and not an alternative to the going concern basis. It is a further guide to the final decision and as such means to an end is not inviolate. Every prudent lender must assess his risk before he grants the advance. What is the risk? At worst it is failure of the borrower when the entire advance is unpaid. It is therefore advisable to assess from experience what the position would be if bankruptcy or liquidation, as the case may be, should occur in the indefinite future. In short, the banker estimates what dividend would accrue after settlement of all prior rights and thereby assesses his risk which may or may not be acceptable in the light of all other considerations. Primarily, the going concern position must warrant the advance. If it does not, there is no point in bothering with the gone concern basis as the advance will not normally b granted. If the going concern basis and attendan factors are reasonable the gone concern basis o break-up of the balance sheet will show the risk i the worst happens. In view of the accepted strengtl etc. of the current position of the borrower, thi failure will not occur within the next few months It may, if ever, happen many years hence when, i all markets, supply may vastly exceed demand, an the auctioneer, acting for the liquidator, may fin only a few unwilling buyers present when he hold his auction on a wet day in the local hotel.

In other words, the banker here looks at th balance sheet through a completely different pair o spectacles from those worn by the accountant whe he prepares the figures. National health spectacle will suffice for the accountant who presents the asset according to their value today to the proprietors o the business on the assumption that it is to continu as a successful going concern. No visionary estimat of a possible but unexpected happening at a indefinite date is required. The banker's specia spectacles for this work are dark in colour an pessimistic in outlook. How can they be otherwis if prudent guidance is to be obtained from th analysis? Sad though it may be, decades of experienc have proved that the bank's inherent pessimism i this respect is fully justified. On the occasion whe failure occurs the liquidator or trustee rarely pays higher dividend than that estimated by the banke at break-up, some time, often a long time, prior t the crash. Much better in any event to under estimate the position than to underestimate you risk by unwarranted optimism.

Let us address ourselves to the task and see how the information revealed in the balance sheet ca assist the banker engaged on such an estimate. Tim will not permit of detailed discussion of every typ of asset but the principle is the same in every case how much will a given asset realize if sold under th worst possible conditions by auction to a few unwilling buyers? If a higher price than that estimate should eventually be obtained no one will be mor pleased than the banker.

Goodwill

Turning to the assets of the Perfect Balance Co Lt for the purposes of example, we find that capital t the value of no less than £45,000 has been investe in goodwill, patents and trade-marks. Undoubtedly millions of pounds are lent annually by Britis bankers relying on the goodwill of the borrowers their connexion and reputation affording ample proo of their ability to continue to trade at profit to repa the bank debt. From the break-up aspect, howeve goodwill will be virtually valueless if the busines fails. How can there be any probability that ol customers will resort to the old place when it ha collapsed? Successive bad years will reduce the valu of goodwill and in the event of complete failure i will disappear. Similar principles apply to trade

marks and patents. They can usually be of little, if any, value on a gone concern basis.

Fixed Assets: Properties

Factory and other types of buildings cannot be valued by looking at the balance sheet, but the cost price and date with amount of depreciation since written off is helpful as a starting point. Thereafter, the banker has to inspect the premises to determine their forced sale value considering, *inter alia*, their state of repair, situation in relation to labour, and/or transport supplies, ease of adaptability to another type of production. Their value on a forced sale basis will necessarily be much less than their current value to a willing buyer or their current value to a successful user. In the examples they are charged to secure a loan creditor who will take the first £20,000, plus unpaid interest, out of the proceeds of sale. It may be that a cash surplus will remain for the unsecured creditors. On the other hand, the factory may not realize sufficient to wipe out the mortgage so that the loan creditor proves, *pari passu*, with the bank for the balance. Such prospects must be borne in mind. The estimate is complicated if many buildings of varying types are included in one balance sheet item. An accompanying schedule showing reasonable details of the composite item is then most helpful.

Plant and Machinery etc.

The value of plant and machinery to an unwilling buyer depends upon the condition and modernity of such assets. When funds are scarce, repairs and replacements will be neglected, whilst some machinery is quickly outmoded by modern invention. The potential market for forced sale must therefore be considered. The price paid will be conditioned by the cost of new machinery perhaps installed free with a guarantee, set-off against the cost of buying old machinery, transporting, repairing, oiling, and setting it up with replacements in new surroundings. It follows that most machinery is worth little more than scrap except in current scarcity conditions. Similar principles apply to furniture and fittings, motors and cars. The latter assets particularly may be worth far more than the balance sheet figure today but the company may not fail until (if ever) supplies vastly exceed demand and pre-war conditions return. Such is the worst position.

Investments

The forced sale estimate of investments depends upon the extent of the information available to the banker. A schedule of the quoted shareholdings can usually be obtained from the borrower. The holdings can then be priced appropriately, margins deducted, and a break-up value calculated. If details are not available the market value inserted beneath the book value in the balance sheet provides a reliable general basis as the banker will know whether the market has improved or otherwise since the given date. Trade and subsidiary company unquoted holdings can be valued on a dividend basis or by break-up of the relative balance sheets to see if any surplus remains after satisfaction of all creditors for the shareholders according to their respective rights. If nothing is known of the unquoted investments prudence dictates that they are ignored. Incidentally, unless already charged elsewhere the quoted shares are potential security for the banker but disclosure of such assets in the balance sheet must give rise to the question as to whether they should not be realized to provide the required finance instead of bank borrowing. This will apply particularly today if the money is required for a capital purpose.

Floating Assets: Stock

Turning now to the floating assets which are constantly revolving in the ordinary course of business, the banker recognizes that they will generally be at their lowest value when failure occurs. Pressing creditors will first be settled by forced realizations of stock, whilst stock replacements and output will be curtailed by shortage of cash. The stock is not valued or checked by the auditor, and although, prima facie, valued according to accepted accountancy canons, serious over-valuation or under-valuation will distort the true trading picture. Overvaluation to hide losses is, of course, the danger, but in these days of heavy taxation it must be a rare event. What is the nature of the stock and the potential market for sale? Such information can hardly be disclosed in the balance sheet but will be known from dealings with the customer. On the other hand, division of the item in the balance sheet into raw materials, work in progress, finished goods, packing, etc., is helpful. Can the raw material be sold by description or sample on a world-wide market? If so, only a small margin need be taken from the balance sheet value. But where the stocks comprise finished goods which are sold in a limited market to another manufacturer as part of the latter's final product (e.g. car parts) they may be almost impossible to sell on a forced sale basis.

The rapidity of turnover of stock calculated by reference to annual sales shown in the trading account has some bearing upon the forced sale valuation. Stock-piling has generally to be criticized unless capital resources are adequate, but continued failure to move certain lines, especially in the retail trade, may well mean that they are virtually unsaleable. In like manner fashion may affect the value of the stock. These and many other points require consideration. They cannot be answered from perusal of the balance sheet but the figures shown therein, linked with those in the trading accounts, furnish the initial warning. Work in progress may have to be completed before it is saleable, and if it consists of large building etc. contracts, amounts outstanding may be set-off against penalties for failure to complete the contract. I may say in this connexion that it would be helpful if a distinction could always be drawn between retentions and normal trade debtors

in the balance sheets of builders and contractors. Retentions are not always so readily realizable.

Trade Debtors

The value of trade debtors obviously depends upon the financial standing of all those to whom the borrower has sold goods. If the total is made up of many accounts of small amount the risks are well spread, but failure of any one comparatively large debtor may jeopardize the whole position. It may therefore be necessary to furnish the banker with a schedule of all debtors over a certain figure as evidence of the soundness of the balance due. The bad debt history of the concern will be ascertained from past profit and loss accounts and, if need be, the method adopted for reserves against doubtful debts and the adequacy thereof can be discussed with the borrower. If the debtors include amounts due from foreign buyers they should normally be covered by E.C.G. insurance.

Cash: Expenditure of Bank Borrowing

There remains the question of cash on hand and the amount borrowed or to be borrowed from the bank. It is submitted that in the event of failure the only cash remaining will be the cash balance, if any, in the post drawer, whilst the debit balance at the bank will be at or in excess of the agreed maximum. The outlay of this cash will produce fresh assets and/or reduce certain creditors. For example, in Perfect Balance Co Ltd the cash £3,000, plus a further £3,325, borrowed from the bank, may be utilized forthwith to pay the dividend £6,325, in which case there will be a direct set-off and cancellation of such sums on both sides of the balance sheet. The banker will know in general how the bank advances are to be spent and can value accordingly the assets bought or to be bought. Thus, if the Perfect Balance Co Ltd are borrowing a further £20,000 to extend their factory considered now by the banker to be worth say £30,000, the liabilities will be increased by the full bank advance £20,000, whilst the assets may be increased by only £10,000, representing the bankers' view of the actual increase in the auction value of the factory after completion of the extensions.

Liabilities: Settlement of Creditors

It follows that our estimate has now reached the stage when in theory we have sold all the assets and have a cash balance in the trustee or liquidator's account at the bank. This balance, after payment of

Example A

PERFECT BALANCE COMPANY LIMITED BALANCE SHEET AS AT JUNE 31ST, 1950

Liabilities

		£
Authorized Capital:		
50,000 5 per cent Cumulative Preference Shares £1 each		50,000
200,000 Ordinary Shares £1 each		200,000
		£250,000
Issued Capital:		
50,000 5 per cent Cumulative Preference Shares £1 each fully paid		50,000
150,000 Ordinary Shares £1 each fully paid		150,000
		200,000
Share Premium Account		15,000
General Reserve		25,000
Profit and Loss Account		6,000
		246,000
5,000 Mortgage Debentures of £10 each	£50,000	
Less Redeemed and capable of reissue	10,000	
		40,000
Loan (secured by mortgage of factory)		20,000
Provision for taxation		25,000
Trade Creditors		76,000
Accrued Charges		4,000
Bank Overdraft		10,000
Dividends payable (less tax):		
Preference	£1,375	
Ordinary	4,950	
		6,325
		£427,325

Assets

		£
Goodwill, at cost		30,000
Patents and Trade Marks at cost		15,000
		45,000
Fixed Assets:		
Freehold Factory at cost	£86,000	
Less Depreciation	11,000	
		75,000
Plant and Machinery at cost	45,000	
Less Depreciation	15,000	
		30,000
Furniture and Fittings at cost less depreciation		10,000
Motor Lorries and Cars at cost less depreciation		19,000
Investments:		
Quoted		12,000
Trade		16,000
Subsidiaries		7,500
Loans to directors		4,500
		219,000
Floating Assets:		
Stock on hand		40,000
Work in progress		42,000
Sundry Debtors	£130,825	
Less Reserve	10,000	
		120,825
Cash		3,000
Debenture Issue Expenses		2,500
		£427,325

(A clean audit certificate by Messrs Check, Cast & Tick, Chartered Accountants.)

costs, is available for distribution amongst the creditors in order of their priority. The secured creditors will come first, if in fact they have not already sold their security themselves and taken their just portion of the proceeds. Such secured creditors will be revealed in the balance sheet. If, in the case of a company, there are debentures redeemed and capable of reissue, the banker will appreciate the warning and either have them cancelled or reissued to the bank.

Preferential creditors require attention in current conditions with excessive income-tax, purchase tax, profits tax, P.A.Y.E. money collected as trustee, and liability in respect of holidays with pay. In the event of failure, such items together may take a high proportion of the cash proceeds of the assets. Full disclosure of the tax outstanding for stated fiscal years is, therefore, of great help to the banker who otherwise must regard all tax as preferential. Little further need be said here regarding the liabilities. Apart from the points raised at the outset, the proprietors' stake in the business can be ignored from the gone concern angle because the shareholders cannot receive anything until all creditors, including the banker, have been paid 20*s* in the £. If, therefore, the break-up value of the assets exceeds the total of all ranking liabilities, the estimated dividend is 20*s* in the £ and no risk arises on such basis. On the other hand, in the event of a shortage, each secured creditor must first have his just portion, and all preferential creditors be paid in full before the unsecured creditors, including the bank, obtain their share of what remains. It is then a simple matter of mathematics to calculate the dividend payable and estimated risk to the bank.

I must now emphasize that this break-up estimate is merely a guide to an end considered with all the other features. It by no means follows that an advance is always granted where the break-up reveals a useful surplus and no risk to the bank. Other factors may negative this estimate. Contrariwise, many advances are made notwithstanding the failure to show 20*s* in the £ at break-up and the estimated risk to the bank. Treated in proper manner and not given too much importance, this complimentary method of estimating risk is an invaluable guide. The more detail revealed in the audited figures the easier will be the task of the banker in this respect and the more reliable his estimate. Obviously, however, there is a limit to everything.

Floating Charge Valuation

The break-up principles which I have just outlined can obviously be adopted for valuation of a floating charge created by a company as security to a bank. If we ignore assets or any proportion of estimated proceeds of assets due to creditors with a fixed charge or other prior security, and deduct in full the total claims of preferential creditors, the balance represents an estimate of the value of the floating charge to the bank.

Other Guidance from a Balance Sheet

Finally, let me remind you that it is from the balance sheet alone that the banker can calculate whether the directors of his limited company customer are borrowing an amount permitted by the articles of association of their company. All information required to verify this position should be clearly shown in the balance sheet. Today loans cannot be confused with trade creditors. Strictly, accommodation paper should be distinguished from bills payable as the former may be construed as borrowing. In like manner in the case of a building society customer it is from the balance sheet that the banker calculates whether such a customer's borrowing is *intra vires*.

Other revelations are possible. Property vested in personal names as nominee and trustee of a company is disclosed in the balance sheet. Unknown sleeping partners of firms are brought to light when the

Example B

PERFECT BALANCE COMPANY LIMITED
BALANCE SHEET AS AT JUNE 31ST, 1950
(Condensed and details omitted for simplicity of production)

		£	£
CAPITAL AND RESERVES:			
50,000 5 per cent Cumulative Preference Shares £1 each fully paid		50,000	
150,000 Ordinary Shares £1 each fully paid		150,000	
		200,000	
Share Premium Account		15,000	
General Reserve		25,000	
Profit and Loss Account		6,000	
			246,000
FIXED ASSETS:			
Goodwill and Patents		45,000	
(F) Factory at cost less depreciation		75,000	
Plant and Machinery less depreciation		30,000	
Furniture and Fittings less depreciation		10,000	
Motor Lorries and Cars less depreciation		19,000	
Investments		35,500	
Loans to directors		4,500	
			219,000
Less FIXED LOANS:			
5,000 Mortgage Debentures etc.		40,000	
Loan		20,000	
			60,000
			159,000
CURRENT ASSETS *less* LIABILITIES:			
Stock on hand		40,000	
Work in Progress		42,000	
Sundry Debtors		120,825	
Sundries		5,500	
		208,325	
Less CURRENT LIABILITIES:	£		
Taxation	25,000		
Creditors	80,000		
Bank	10,000		
Dividend	6,325		
		121,325	
			87,000
			£246,000

balance sheet of the partnership is studied. Often contingent liabilities previously unknown are disclosed appropriately when the balance sheet is produced.

Sufficient has been said to indicate the invaluable assistance which a banker can obtain from the study of his customer's balance sheet and the extent of our dependence upon the speedy production of audited figures collated in a manner which permits of ease of comparison and yet furnishes sufficient detail to enable us to reach a reliable estimate of risk. To all accountants I express grateful thanks for their indirect service through the preparation of readable balance sheets and accounts. I hope this bare outline of the banking viewpoint on balance sheets has proved of interest.

WEEKLY NOTES

The Institute of Municipal Treasurers and Accountants' Examinations

Of the total of 1,307 candidates who sat for the January 1951 examinations of the Institute of Municipal Treasurers and Accountants, 426, or 33 per cent, were successful.

Places and prizes have been awarded on the results of these examinations combined with those held in August 1950. In the Intermediate, the First Place and Prize were awarded to Mr Ernest Pierre Wall (Cheltenham B.C.); Second Place and Prize were gained by Mr John Gilbert White (Berkshire C.C.) and the Third Place and Prize by Mr John Nixon Waite (Greenock).

In the Final Examination, the First Place, 'Collins' Gold Medal, and the Institute Prize were awarded to Mr John Derrik Hender (Norfolk C.C.); the Second Place and Prize were won by Mr Bert Bucknall (Irlam U.D.C.) and the Third Place and Prize were gained by Mr Cyril Henry Brown, formerly of Lancashire C.C., who was recently appointed to the secretariat of the I.M.T.A.

A list of successful candidates in the Final, Parts I and II, examinations, appears elsewhere in this issue.

The Fiscal Surplus

The fiscal year 1950–51 closed last week-end with a substantial surplus. The Chancellor of the Exchequer estimated last April that there would be an overall deficit for the year of £7 million. In the event, he has finished up with a revenue margin of £247 million. As a measure of the solvency of the State this is a gratifying outcome. But it is also a tribute to the steady if unspectacular pressure of inflation.

The main contribution to the surplus has been a smaller expenditure than had been expected. This was in fact £217 million less than had been estimated. A good deal of this saving was secured, however, by the inactivity of certain Government departments in trading, in short, by running down stocks. These will in many cases have to be made good in the new fiscal year.

Revenue contributed about £80 million extra above the estimates to the surplus. Income-tax was £16 million higher; customs, £35 million; excise, £11 million; sales of war stores, £10 million; and motor duties, £5 million.

Higher Civil Estimates

Estimated expenditure for 'Supply, Food and Miscellaneous Services' is £175 million higher for the incoming fiscal year than it was in the one just ended. This increase is made up of £52 million more for the Ministry of Supply, mainly for military purposes, and of £130 million towards building up a strategic reserve of materials. Research and development in the same department is to cost £13 million more than last year, of this £1 million being to aid uranium production in South Africa. The Ministry of Food is expected to take over £6 million more.

The main savings will be £9 million on the shipping and war terminal services of the Ministry of Transport, £4 million on advances to allies and nearly £4 million on the cost of running the German section of the Foreign Office.

Financing New Shipping

Although there has been a marked hardening in freight rates over the last nine months and a notable improvement in the position in shipbuilding order books since the close of 1949, these favourable features should not obscure the difficulties which the shipping industry encounters at present in replacing its tonnage. Many owners of cargo fleets are hampered in placing orders by the lack of liquid resources necessary to meet the cost of new ships at current prices.

Under these circumstances, the news last week of a new specialized finance corporation to be called the Ship Mortgage Finance Co, will be welcomed. Capital amounting to £1 million is to be subscribed in the City. Operations will proceed by the company issuing up to £10 million of debenture stock as first mortgages on ships built in this country. It is expected that loans will usually be up to half the cost of the vessel and for periods of time ranging from five to ten years.

From the point of view of the shipping companies, this new company should represent some relief to the consequences of taxation. It does not of course bring any direct aid to sorely pressed liquid resources, but it may mean that shipping companies can get outside finance on advantageous terms. So far as the long-term prospects of the company are concerned, much depends on its ability to create a new marketable debenture, confidence in which has been built up by shrewd investment over the whole of the shipping industry.

FINANCE AND COMMERCE

The unexpectedly heavy Budget surplus was naturally translated in stock markets into confirmation of recent suggestions that the Budget may prove to be a relatively tame affair. The tone of markets has improved and it is hoped that this apparent confidence is not misplaced.

Lancashire Dynamo

This week's reprint gives the 1950 accounts of Lancashire Dynamo Holdings Ltd, a company making electric motors and generators, transformers, switch-boards, catering equipment and a wide range of specialized products. In fact, a whole page in the report is given showing what the company does and where it does it.

The spirit behind these accounts is seen in the chairman's statement that the directors are

> 'anxious that not only the shareholders, but the employees and customers of the company should have the fullest possible information about the operating of the company. . . . We believe that these changes are in accord with modern trends and are essential if we are to have a true partnership with Labour, Management and Customers.'

One thing this company does, which few others do, is to disclose its turnover figure from which is calculated the profit percentage on turnover. We would suggest that the heading 'The Year in Review' should be made plural. The value of such information is cumulative as the review is extended into a comparison over the years.

Included also with the accounts are two graphs, one showing the curve of rising material prices against the price of the company's motors and another the curve of wages against the price and the dividend – a valuable index to the efficient operation of the business.

Balance Sheet Technicality

Mr W. L. Mitchell, chairman of Hogg & Mitchell (Holdings), draws attention in his statement with the company's first accounts to a 'technicality' which, he says, 'shows that despite all efforts to make balance sheets more informative, they can sometimes be clouded over'. It arises in the consolidated balance sheet because of the necessity for regarding all the reserves of the subsidiary company at the date of acquisition as capital reserves not available for use by the holding company for any revenue purpose.

At this point, we should explain that the holding company was formed last year to take over an existing business; that the holding company's accounting date has been synchronized with the December 31st date of the subsidiary and that profits have been apportioned on a time basis so that the holding company's interest in the subsidiary's profits is for five and a half months from July 17th to the end of 1950.

Among the above-mentioned reserves there was, Mr Mitchell continues, the future income-tax liability of the subsidiary, partly referring to the fiscal year 1950–51 and partly to 1951–52. This disappears in the consolidated balance sheet into the figures in capital reserve and there is thus no apparent reserve for future taxation although, Mr Mitchell assures shareholders, taxation has been fully covered in the subsidiary's accounts.

Dual Account Idea

A simple but useful idea for the construction of dual accounts is provided in the accounts issued by The Thompson & Norris Manufacturing Co Ltd. This company gives company and consolidated profit and loss figures in vertical statement form across a double quarto opening, narrative occupying just over half the total width. The narrative reads into two main columns of figures for 1950 and for 1949, each year being split into two columns for the company and for the consolidated figures.

The 1950 company figures are to the left of the consolidated, the positions being reversed in the comparison column so that 1950 and 1949 consolidated figures are adjacent and to make the distinction between company and consolidated as clear as possible, the consolidated figures are printed on a grey-checkered background. Although we have favourably reviewed the dual accounts of a number of companies, we must confess that some have needed an acrobatic eye to jump across the columns of figures and sometimes across the narrative as well. The form here used gives the solution to the difficulty.

Money Market

With applications for Treasury bills little changed at £332,365,000 on March 30th, the market again received 66 per cent of its requirements. The average rate was 10*s* 2·98*d* per cent. This week's offer is £240,000,000 and there is a Treasury deposit receipt call for £80,000,000.

LANCASHIRE DYNAMO HOLDINGS LIMITED

The Year in Review

Issued Share Capital	£644,332
Number of Shareholders	1,900
Average Number of Shares held by each Shareholder	340
Approximate Capital employed in the Group	£2,500,000
Approximate turnover for the year	£5,100,000
Trading profit for year	£388,302
Percentage profit on turnover	7·6%
Number of employees in the Group	3,734
„ active employees with over 25 years' service	278
„ „ „ „ 50 years' service	5
Total annual payroll	£1,450,000
Profit including income from trade investments	£401,692
Profits tax and income-tax for the year	£224,287
Amount paid out in dividends	£71,831
Amount ploughed back into the business	£142,924

Analysis of Group Turnover	Per cent
Materials	52·3
Wages and Salaries of all Employees	28·5
Welfare and Social Services	1·3
Rent, Rates, Insurance, Telephone, Stationery, Maintenance, Depreciation, Advertising, Carriage and Postage, etc.	10·0
Taxes	3·7
Profits Retained	2·8
Profits Distributed to Shareholders	1·4
Total	100·0

LANCASHIRE DYNAMO

Consolidated Balance Sheet of the Company

1949 £	£		£	£	£
		Authorized Capital:			
	60,000	£60,000 5½ per cent Cumulative Preference Stock		60,000	
	480,000	£584,332 Ordinary Stock		584,332	
	120,000	15,668 Ordinary Shares of £1 each		15,668	
	£660,000			£660,000	
		Issued Capital:			
	60,000	£60,000 5½ per cent Cumulative Preference Stock		60,000	
	480,000	£584,332 Ordinary Stock		584,332	
	18,707	Ordinary Shares of £1 each, fully paid		—	
558,707					644,332
		Capital Reserves:			
		Share Premiums as at December 31st, 1949	610,279		
		Add Premiums on shares issued during the year	258,165		
	610,279			868,444	
		Excess Profits Tax Post-war Refund as at December 31st, 1949	122,462		
		Add Amount received during the year	1,825		
	122,462			124,287	
	3,111	Pre-acquisition Profits and Capital Reserves of Subsidiaries		—	
735,852					992,731
		Revenue Reserves and Undistributed Profits:			
	106,538	General Reserve	106,538		
	100,000	*Add* Reserve for Post-war Contingencies	100,000		
	100,000	Other Revenue Reserves	100,000		
				306,538	
	308,702	Profit and Loss Account		447,627	
615,240					754,165
1,909,799		**Total Issued Capital and Reserves**			2,391,228
106,344		**Amount set aside for Income Tax, 1951–52**			147,518
1,954		**Minority Interest in Capital and Reserves of Subsidiary Companies**			3,114
£2,018,097					£2,541,860

Note: Commitments for Capital Expenditure not provided for in these Accounts amount to approximately £41,600.

H. W. BOSWORTH
J. G. SHAW } *Directors*

LANCASHIRE DYNAMO HOLDINGS LIMITED

Consolidated Profit and Loss Account of the Company and its Subsidiaries for the year ended December 31st, 1950

£	£	£		£	£	£
384,639			Trading Profit for the year before Charging Expenditure, detailed below ..			478,839
11,862			Income from Trade Investments			13,390
396,501						492,229
			Deduct:			
	42,747		Depreciation		47,814	
			Directors' Remuneration:			
		3,924	Fees	4,660		
		32,819	Other Emoluments	38,063		
	36,743				42,723	
79,490						90,537
317,011			**Net Profit for the year before Taxation**			401,692
			Deduct:			
			United Kingdom Taxation based on the Profits of the year:			
		47,350	*Profits Tax	65,356		
		112,610	Income Tax, 1951–52	151,181		
	159,960				216,537	
	6,057		South African Taxation		7,750	
166,017						224,287
150,994			**Net Profit for the year after Taxation**			177,405
—			*Add* Taxation provisions of previous years no longer required			37,350
£150,994			Net Profit transferred to opposite page			£214,755

HOLDINGS LIMITED
and its Subsidiaries, December 31st, 1950

1949 £	£			£	£
		Fixed Assets:			
	523,964	Land, Buildings, Plant and Machinery, at cost (or valuation in the case of one subsidiary Company's works) less Depreciation as at December 31st, 1947		519,914	
	155,228	Additions		214,776	
	679,192			734,690	
	84,679	Less Depreciation		132,926	
594,513				601,764	
49,694		Loose Tools, Patterns, etc., as valued by the Directors as at December 31st, 1950 (Replacements charged to Revenue)		49,694	
644,207					651,458
	10,653	Trade Investments, at cost (Uncalled Liability £41,071)		23,153	
	9,797	Less Reserve		9,797	
856					13,356
645,063		**Total Fixed Assets**			664,814
		Current Assets:			
	1,666,441	Stocks on hand: Materials, Work in Progress and Finished Machines		1,746,199	
		Debtors	£1,155,144		
		Less Reserve for Bad Debts	32,065		
	853,889			1,123,079	
	1,000	Tax Reserve Certificates		150,000	
	—	Cash at Bankers and in hand		7,297	
	2,521,330			3,026,575	
		Deduct:			
		Current Liabilities and Provisions:			
	52,120	Bank Overdraft	—		
	1,027,268	Creditors, Provisions and Current Taxation	1,092,380		
	68,908	Proposed Appropriations for 1950 as shown in the Directors' Report	57,149		
				1,149,529	
	1,148,296				
1,373,034		**Total Current Assets less Current Liabilities**			1,877,046
£2,018,097					£2,541,860

LANCASHIRE DYNAMO HOLDINGS LIMITED

Consolidated Profit and Loss Account of the Company and its Subsidiaries for the year ended December 31st, 1950
(Continued)

£	£	£	£		£	£	£	£
				Balance brought forward at the beginning of the year:				
	10,894			In the books of the Subsidiary Companies			24,373	
	230,784			In the books of Lancashire Dynamo Holdings Limited			284,329	
241,678								308,702
150,994				Net Profit transferred from opposite page				214,755
392,672								523,457
				Deduct:				
				Dividends paid:				
			908	Preference Dividend for the half-year to June 30th, 1950, less Tax	908			
			13,200	Interim Dividend of 5 per cent, less Tax on the Ordinary Stock	13,774			
		14,108				14,682		
				Proposed Appropriations as shown in Directors' Report:				
			907	Preference Dividend for the half-year to December 31st, 1950, less Tax	907			
			48,001	Final Dividend of 10 per cent less Tax, and Bonus of 7½ per cent less Tax, on the Ordinary Stock	56,242			
			20,000	Transfer to Staff Pension Scheme	—			
		68,908				57,149		
	83,016						71,831	
	—			Transfer to Reserve in Subsidiary Company			3,453	
	954			Profit attributable to outside interests			546	
83,970								75,830
£308,702								£447,627
				Balance carried forward at the end of the year:				
	24,373			In the books of the Subsidiary Companies			24,967	
	284,329			In the books of Lancashire Dynamo Holdings Limited			422,660	
£308,702								£447,627

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

'Attack on Accountants'

SIR, – I was surprised to read in your issue of March 17th that the President of the Association of H.M. Inspectors of Taxes 'entirely dissociates' himself from the remarks I made in a recent article in *Public Opinion* (referred to on page 202 of your issue of March 3rd).

May I with great respect put the following considerations both to the President of the Institute and to the President of the Association of H.M. Inspectors of Taxes?

Is it disputed that a move should be made to improve accountancy standards which, like those of Inspectors of Taxes, have had to be relaxed under wartime pressure? I do not suggest that there are more than a small number of accountants who are deliberately dishonest but too many assist fraud by lax standards of audit and by accepting without adequate check, explanations given them by clients. In particular, the practice of giving a stereotyped certificate on accounts which does not indicate shortcomings in the records should be discouraged. The Commissioners of Inland Revenue should be given statutory power to prescribe forms of certificate, or at any rate to prescribe that deficiencies in records or failure to balance books must be mentioned. At present the phrase 'in accordance with the books and the explanations given to us' covers a multitude of deficiencies. Similarly, with computations the practice of disclosing the minimum liability and not calling attention to doubtful items and of waiting for the Inspector to ask questions should be firmly discouraged. Official disapproval of such practices should be voiced and renewed emphasis given to the principle that the taxpayer is responsible for a correct return and a computation.

I can scarcely believe that Mr Macleod would entirely dissociate himself from any of this.

Yours faithfully,
DOUGLAS HOUGHTON.

House of Commons.

Personal Supervision for Individual Students

SIR, – May I draw attention to the results of the Institute and Society examinations recently announced and make a suggestion as to the reason for the continued poor percentage of passes shown?

I refer to the absence of any kind of personal supervision of the individual student while undergoing his theoretical studies.

While recognizing the excellent work done by the highly-specialized correspondence courses, I feel that the personal touch – the encouragement and advice, the detailed explanation of each study, the resolving on the spot of difficulties peculiar to the individual student and, not least, the moral effect on the student of the knowledge that a senior is in constant supervision – is fast becoming essential to the success of the average student in these days of high-power legislation, reduced articles and exempted examinations.

And who better to fill the bill than those who have qualified? Here clearly is a duty and an opportunity to every chartered and incorporated accountant. After all, every qualified man devoted five or six nights in a week to his own studies – is it too much to ask him to devote one or two nights to the studies of someone else who may, through war or other causes, be studying under more unfortunate circumstances? Is it a reason or an excuse to plead 'too busy with office matters' as so many do?

Let us try to 'humanize' this profession of ours – let those who have qualified help those who have yet to, instead of sitting back with an air of smug satisfaction as if saying 'I did it, now you do it'.

Yours faithfully,
Northampton. ALFRED SMITH.

[Mr R. J. Carter, B.COM., F.C.A., Secretary of the Chartered Accountant Students' Society of London, writes: The professional coaches do their best for students but they have very difficult conditions to contend with at the present time. On the one hand the number of articled clerks is approaching the maximum; on the other hand there is a shortage of men with the long experience necessary to constitute an efficient coach.

The London Students' Society does keep a list of recently qualified men who are willing to help students with their studies as suggested by your correspondent. The question of a fee arises, of course. It also organizes study parties so that students living in the same area and sitting for the same examination can be put in touch with each other for mutual help and discussion.

I do not know how far such arrangements are available in other districts but I suggest that your correspondent should write to the secretary of his nearest students' society.]

Cash Discounts: an Element of Cost?

SIR, – The company with which I am connected has a contract to supply its products to an undertaking which was recently nationalized. The price to be paid by the undertaking is the full cost of manufacture plus a percentage on cost for profit and the expression 'full cost of manufacture' is defined as

> 'the cost ascertained in accordance with general accountancy practice comprising materials, labour and establishment charges'.

It is argued, on behalf of the undertaking, that cash discounts received represent a reduction in the cost of materials used for production and that selling prices and profit should accordingly be reduced.

My company are strongly opposed to this view as it is, in our opinion, completely at variance with general accountancy practice. It is believed that the majority of accountants do not accept the principle that cash discounts are an element of cost. Among the accountancy practices which may be quoted in support of the contention that cash discounts received on the purchase of goods for ultimate embodiment in a manufactured product should not be deducted from its cost are the following:

(*a*) In valuing goods for stock-taking purposes 'cost' is normally net cost after the deduction of trade discounts but before deduction of cash discounts.

(*b*) Cash discounts which will be receivable on the payment of accounts outstanding at the end of a financial year are not brought into the profit and loss account until the subsequent year. Few, if any, accountants would consider that this omission created a secret reserve, as it is felt that the subsequent period which will suffer the depletion of its bank balance to pay off these accounts, should enjoy the benefit of any discounts received for so doing.

It is surely a principle recognized by accountants that cash discounts should be treated as an element of finance and not as an element of cost. Should any accountants be advocates of the opposite view they will presumably agree that if cash discounts are to be deducted in arriving at cost then, *per contra*, any loan or debenture interest payable by a manufacturing concern should be included in the cost of its products. The nationalized undertaking mentioned above is, however, not prepared to accept this contention.

During the war the profits under many contracts entered into with Government departments were based on the ascertainment of a rate of profit applicable to the capital employed by the contractor concerned and in arriving at cost under such contracts it can be argued that cash discounts should be deducted. It now seems, however, that it has become the practice of Government departments and similar bodies when placing contracts which are based on full cost of manufacture plus a percentage on cost for profit, to include in their terms a proviso that credit should be given for cash discounts in arriving at cost.

It would seem that if accountancy principles are now to be propounded by a Government department, then many of the dicta pronounced by eminent accountants and supported by recognized standard text-books require revision!

It is felt that this matter is one which concerns not one company alone but privately-owned industry generally as a large portion of industrial activity is now transacted either directly with the Government through its ministries or indirectly through nationalized undertakings and the volume of this business will undoubtedly increase as the rearmament programme gathers momentum. The views of your readers on this matter would, therefore, be welcomed.

Yours faithfully,

London, W1 J. R. LEITCH.

'Loss of Profits Insurance'

SIR, – Apropos Mr Ernest A. Such's article on 'Loss of profits insurance', published in two instalments in your esteemed journal of February 17th and 24th last, I shall be much obliged if he would be kind enough to clarify the following point.

In the last example that Mr Such has worked out in the concluding part of his article, he arrives at the adjusted gross profit of £55,440, but I could not follow how and on what basis he manages to arrive at that figure. Has the adjusted gross profit been assumed? If it is so, then has one to work on an assumed figure in practice as well?

A reply from Mr Such will be very much appreciated.

London, NW11. R. SEN-GUPTA.

[Mr Such writes: The adjusted gross profit of £55,440 is a fictitious figure assumed for the purposes of the example.

The policy stipulates that, in the case of a claim, any necessary adjustment shall be made to (*a*) rate of gross profit, (*b*) annual turnover, and (*c*) standard turnover to provide for the trend of the business. The example assumes an upward trend of 10 per cent in turnover. However, the rate of gross profit may or may not alter and each individual case must be investigated upon its merits. In this instance, it has been assumed that the increase in turnover has resulted in increased efficiency, so that the rate of gross profit has increased substantially from 25 per cent to 28 per cent.

In practice, the loss adjuster arrives at the adjusted rate of gross profit from an investigation of all the relative factors existing in the insured's trade, during the indemnity period, as compared with conditions obtaining before the fire.]

Accountant an Alternate Director: Can he act as Auditor?

SIR, – We shall be glad to have the opinions of your readers on the following point of company law.

Under the articles of a private limited company, any director who is unable to fulfil his duties through illness or absence may appoint an alternate director, who is entitled to exercise the powers of a director during the absence or incapacity of the director appointing him. While he is acting, the alternate director is an officer of the company.

An accountant is appointed such alternate director, and it is desired to know whether this appointment disqualifies him from acting as auditor to the company when he has not, in fact, been called upon to act.

Yours faithfully,

CHARTERED ACCOUNTANTS.

TAXATION CASES

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in *The Annotated Tax Cases.*

Goodwin *v.* Brewster

In the Court of Appeal – February 9th, 1951
(Before THE MASTER OF THE ROLLS (Sir RAYMOND EVERSHED), Lord Justice JENKINS and Lord Justice HODSON)

Income-tax – Office or employment – Director appointed managing director – Company controlled in United Kingdom – Functions of managing director performed abroad – Income Tax Act, 1918, *Schedule E, Rules* 1, 6 – *Finance Act,* 1922, *Section* 18.

In 1936 the appellant was appointed an additional director of a company resident in the United Kingdom, and operating an oilfield in Trinidad. He was also appointed managing director, pursuant to a resolution passed by the company in general meeting and to a service agreement which was made between him and the company. The articles contained the usual provisions for the appointment of one or more managing directors, who were to be appointed from among the directors. By his service agreement the appellant had the general management of the business of the company, subject to the control of the directors. He received, as managing director, a remuneration separate from his fees as a director.

Until December, 1939, the appellant visited Trinidad twice a year, and spent about four months there. As a qualified mining engineer it was a part of his duties to advise the board on technical matters. There was a field manager in Trinidad, whose work the appellant supervised. Soon after the outbreak of the war the company lost the services of the field manager and of its other main employees, and the appellant remained in Trinidad until October 1944, except for a two months' visit to England in 1940, which he undertook at the request of the board in order to be present at an annual general meeting of the company. He was admittedly not resident in the United Kingdom during the years under appeal; and during those years he managed the company's affairs in Trinidad, and advised the board in London on technical matters by correspondence. Until April 1941 the appellant's salary as managing director was paid to him in England, but from thence onwards it was paid to him in Trinidad from a bank account of the company there, and this bank account was fed from the proceeds of the sale of oil to Trinidad refineries. The appellant paid his salary cheques into a personal bank account in Trinidad, and he paid Trinidad tax on his salary. The appellant appointed an alternative director, who received the fees attached to the appellant's office of director.

It was contended on behalf of the Inland Revenue (*a*) that the appellant did not hold two offices, namely that of director and that of managing director, but only one office, (*b*) that this office was, in accordance with the principle of *McMillan v. Guest* (21 A.T.C. 73), an office in the United Kingdom, (*c*) alternatively, that even if the appellant held two offices, his office of managing director was located in the United Kingdom.

Held (affirming the judgment of Mr Justice Danckwerts), (1) that the appellant held two separate offices, namely that of director and that of managing director; but (2) that the appellant held the latter office in the United Kingdom, and the salary was, therefore, assessable under Schedule E.

Harrison *v.* Lilley

In the Court of Appeal – February 16th, 1951
(Before THE MASTER OF THE ROLLS (Sir RAYMOND EVERSHED), Lord Justice JENKINS and Lord Justice HODSON)

Income-tax – Mortgage interest – Interest in arrear – Cancellation of mortgage bonds – Promissory note issued to mortgagee – Sum equal to arrears of interest paid thereafter – Whether that sum is income from foreign securities – Whether it is income from foreign possessions – Income Tax Act, 1918, *Schedule D, Case IV, Case V.*

The respondent held mortgage bonds for $100,000, carrying interest at 6 per cent, of an American company, and the company wished to dispose of the property upon which the bonds were secured. Interest to the extent of $36,000 was in arrear on the bonds as at December 31st, 1942.

In 1942 it was agreed between the respondent and the American company that the bonds should be cancelled, that she should receive a promissory note for $100,000, and that that amount should be paid not later than December 31st, 1947. The bonds were cancelled in January 1943. The promissory note bore interest at the rate of 4½ per cent per annum; and it was a part of the agreement that the arrears of interest on the mortgage bonds, as at December 31st, 1942, should be paid by the American company, as to half in June 1943, and as to the other half in June 1944. Those payments were duly made.

The respondent was assessed in respect of the two sums of $18,000 each, arrears of interest, on the footing that they were either income from foreign securities or income from foreign possessions. It was contended on behalf of the respondent that there was no liability to income-tax in respect of the sums in question because, the bonds having been cancelled, the respondent did not, during the years for which the assessments had been made, possess any source from which those sums could be obtained, and that the two sums were received in consideration of the cancellation of the bonds. The Crown contended that the sums in question arose either from the original bonds or from the contract that was made in 1942.

Held (reversing the judgment of Mr Justice Danckwerts), (1) that the sums in question were received by the respondent as interest, (2) that the source of those sums was the contract to pay such interest, which contract remained operative notwithstanding the cancellation of the bonds and the rearrangement of the time for the payment of the interest; and (3) that the respondent was assessable to income-tax in respect of those sums as income from a foreign possession.

Littman *v.* Barron

In the High Court of Justice (Chancery Division)
February 28th, 1951
(Before Mr Justice WYNN-PARRY)

Income-tax – Excess rents assessed under Case VI – Deficiencies of rents – Whether deficiencies can be set off against excesses – Income Tax Act, 1918, *Schedule D, Charging Rule* 2, *Case VI – Finance Act,* 1927, *Section* 27 *– Finance Act,* 1940, *Section* 15.

The appellant, a dealer in property, held a large number of freehold properties, which he let, and the rents received by him as the immediate lessor gave rise to notional annual values computed in accordance with Section 15 (1) of the Finance Act, 1940. In respect of two other properties the appellant received a rent which was smaller than the rent paid by him, and in respect of three other properties he received no rent.

The appellant was assessed under Case VI of Schedule D pursuant to Section 15 of the Finance Act, 1940, on the excesses of rent computed under the latter section, and he contended that he was entitled to set off against those assessments the amounts of the deficiencies of rents, on the footing that if the five properties had produced excesses of rent, those excesses would have been profits within Section 27 of the Finance Act, 1927, and he would have been liable to be assessed in respect thereof under Case VI.

Held, that an excess arising under Section 15 (1) of the Finance Act, 1940, was not a profit to which Section 27 of the Finance Act, 1927, related, and that, therefore, deficiencies of rent could not be set against the excesses.

Rellim Ltd *v.* Vise

In the High Court of Justice (Chancery Division)
March 2nd, 1951
(Before Mr Justice WYNN-PARRY)

Income-tax – Property transactions – Company with property-dealing powers treated by Inland Revenue as investment-holding company – Management expenses claims allowed – Sale of properties – Whether trading transactions – Income Tax Act, 1918, *Section* 33, *Schedule D, Case I.*

The appellant company was incorporated in 1938, and it had power to acquire and dispose of property, and also to manage property. It was agreed with the Inland Revenue that the company should be treated as an investment-holding company, and that it should be given relief for management expenses under Section 33 of the Income Tax Act, 1918.

In its first complete accounting period the company purchased twelve houses, three garages, and about thirteen acres of land. In the accounting period ended March 31st, 1944, a farm comprising forty-seven acres was purchased. All these properties were let by the company, and the rents were brought into the accounts, and the company had no income from any other source. In July 1945 the company sold one house and one acre of land; in April 1946 the farm was sold; in March 1947 the remaining twelve acres of land were sold; and in August 1947 the company sold another house.

Assessments for 1946–47, 1947–48 and 1948–49 were made in respect of the sums received on the foregoing sales, on the footing that the company was in those years a property-dealing company. The General Commissioners found 'that the company was a trading company, with trading profits', and they confirmed the assessments.

Held, that it could not be said that there was no evidence to justify the General Commissioners' finding, and that, therefore, the finding could not be disturbed.

Owen and Gadsdon *v.* Brock

In the High Court of Justice (Chancery Division)
February 28th, 1951
(Before Mr Justice WYNN-PARRY)

Income-tax – Solicitors – House purchased temporarily to retain services of employee – Whether sum thus spent deductible in computing profits of firm – Income Tax Act, 1918, *Schedule D, Cases I and II, Rule* 3 (*a*), (*f*).

The appellants practise the profession of solicitors, and shortly after the end of the war it was important that they should retain the services of a clerk. For this purpose it was necessary to provide him with housing accommodation at a reasonable distance from the office, and after some delay the appellants obtained the requisite consents for the erection of a bungalow. In the meanwhile the appellants purchased a house for the accommodation of the clerk, pending the completion of the bungalow. The house was purchased at an auction sale, and the day after the sale the appellants wrote to the next highest bidder, and offered to resell the house to her subject to part of it being made available for the accommodation of the clerk until the bungalow had been erected. This proposal was declined, and shortly after the bungalow became available the house was sold.

The appellants claimed that they were entitled to deduct the difference between the sum paid for the house and the sum received when it was sold. The General Commissioners decided that the expenditure incurred in purchasing the house was incurred solely for the purpose of retaining the services of the clerk, and that it was necessary to purchase the house for that purpose, but that the sum thus spent was nevertheless capital expenditure.

Held, that the Special Commissioners' decision was correct.

INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

RESULTS OF JANUARY 1951, EXAMINATIONS

SUMMARY OF RESULTS

	Intermediate Number	Intermediate Percentage	Final Part I Number	Final Part I Percentage	Final Part II Number	Final Part II Percentage	Total Number	Total Percentage
Passed ..	106	20	134	44	186	40	426	33
Failed ..	425	80	173	56	283	60	881	67
	531	100	307	100	469	100	1,307	100

FINAL EXAMINATION - Part I

*Archer, Albert Simeon Alan, *Newcastle upon Tyne CB.* Armes, John Antony Peter, *No. 5 Hosp. M.C. (N.E. Met. R.H.B.).* Astbury, William Stanley, *West Bromwich C.B.* Athay, Leslie, *Sevenoaks U.D.C.* Austin, William, *Fulham Met.B.* Baines, Ronald, *Middlesbrough C.B.* *Barley, Roy Witted, *Bradford C.B.* Baynes, Joseph, *Accrington B.* Beddow, Herbert, *Stretford B.* Bigg, Derek Charles, *Southend-on-Sea C.B.* Blake, Arnold Stuart Harmor, *Bexley B.* Bostock, Richard, *Ryde B.* Bowes, Robert William, *South Shields C.B.* Bradfield, Basil Robert, *Burton upon Trent C.B.* *Brannam, Leonard Claude, *Reading C.B.* Brown, John, *Kilmarnock.* Bunn, John Martell, *Middlesex C.C.* Buswell, Bertie, *New Forest R.D.C.* Butler, Dennis Stanley, *Southend-on-Sea C.B.* Cant, Joseph, *Orpington U.D.C.* Chambers, Donald, *Feltham U.D.C.* Clampin, Alan Bertram, *Somerset C.C.* Clark, James Wilfred, *Mitcham B.* Cooper, Arthur, *Rawtenstall B.* Corbin, Frederick Harry, *Storminster R.D.C.* Cowley, Eric George, *Cricklade & Wootton Bassett R.D.C.* Cox, Douglas James, *Southall B.* Craddock, Iver, *Coventry C.B.* Crook, John Massey, *London C.C.* Crowther, Raymond, *Yorkshire (West Riding) C.C.* Davey, William Peter, *Swansea C.B.* Davies, James Arthur, *Durham C.C.* *Davies, William George Henry, *Abertillery U.D.C.* Deakin, Clarence, *South Manchester Hosp.M.C.* Dean, Stanley Roger, *Stockport C.B.* Dry, Stanley, *Yorkshire Electricity Board (Bradford).* Dunbabin, Robert William George, *Newport Pagnell R.D.C.* Eacott, Derrick Edward, *Gloucestershire C.C.* Edmundson, Harry, *St Helen's C.B.* Elliott, Leslie, *Finchley B.* Ellis, Colin Augustus, *London Corporation.* Ferns, Cedric, *Blackpool C.B.* Fleming, Eric Mitchell, *Arbroath.* Fox, George Haines, *Ipswich C.B.* Frith, John Francis, *Liverpool C.B.* Gee, Robert, *Coventry C.B.* Gibson, Albert, *Aireborough U.D.C.* Gilbert, Harry, *Beverley B.* *Golds, George Henry, *Brighton C.B.* Goonetilleke, Alfred Peiris, *Kurunogala Municipal Council, Ceylon.* Goreham, Stanley James, *Great Yarmouth C.B.* Graham, Robert Lowe, *Kincardine C.C.* Gravely, Kenneth, *Cheshire C.C.* Griffiths, Alan Burndred, *Wimslow U.D.C.* Haines, Alfred John Barton, *Wiltshire C.C.* Harris, William Edgar, *Burton upon Trent C.B.* Haslam, William, *Maidenhead B.* Hay, Colin Arthur, *Newcastle upon Tyne C.B.* Hayes, Albert Edward George, *Weymouth B.* Haywood, Alfred, *Burton upon Trent C.B.* Heade, George Edward, *Brentford and Chiswick B.* Hemphill, Archibald Angus, *Merioneth C.C.* Hewett, Herbert Edwin, *Norwich C.B.* Hill, Kenneth Arthur, *West Ham C.B.* Hodgson, Leo, *Horsham U.D.C.* Holland, Kenneth Alfred, *Isle of Wight C.C.* Houghton, Leslie, *Derbyshire C.C.* Ings, Ewart Neville, *Dudley C.B.* Jamieson, William Lerne Paton, *West Lothian C.C.* Johnston, Leonard Thomas, *Folkestone B.* Jones, Arthur Trevor, *Cheshire C.C.* Jones, Edward, *Flintshire C.C.* *Kermode, Edmund Ronald, *Liverpool C.B.* Knapman, William John, *Okehampton R.D.C.* Lawrence, Desmond John, *Bracknell, Dev., Corp.* Lewis, Ronald Claude, *Aylesbury B.* *Light, Harry Walter Charles, *Carshalton U.D.C.* Marr, James Gillett, *Gloucestershire C.C.* Miller, Kenneth Carlton, *Buckinghamshire C.C.* Mold, Stanley Harold, *Essex C.C.* Moorhouse, George, *Chadderton U.D.C.* Morris, William, *Clwyd and Deeside Hosp. M.C.* Morrison, John Watson, *Lanarkshire C.C.* Morrison, Ronald Ferguson, *Newcastle upon Tyne C.B.* Mortimer, Tom, *Hopton R.D.C.* Morton, Ronald, *Windermere U.D.C.* Moulson, Frank, *Huddersfield C.B.* Mustoe, Kenneth Walter Lucien, *Plymouth C.B.* *Nelson, Joseph, *Bishop Auckland U.D.C.* Palmer, Basil Roy, *Wolverhampton C.B.* Poole, Aubrey, *Buckinghamshire C.C.* Portlock, Albert Harold, *Salford C.B.* Potts, Ellwood, *South Shields C.B.* Potts, John Pritchard, *Hampshire C.C.* Prescott, Lawrence Ross, *Manchester C.B.* Preston, Cyril Spencer, *Yorkshire (West Riding) C.C.* Pringle, John Craster, *Tynemouth C.B.* Reynolds, Eric James, *Hertfordshire C.C.* *Robinson, Eric, *Halifax C.B.* Roche, Henry Thomas, *Hitchin R.D.C.* Ruddock, Walter Cyril, *Suffolk (West) C.C.* Samuel, Allan Frank, *Kingston upon Hull C.B.* Schofield, James, *Rochdale C.B.* Seabourne, John Anthony, *Chelsea Met.B.* Simmonds, Colin, *Isle of Wight Group Hosp. M.C.* Sharratt, Alan Whittaker, *Lancashire C.C.* Shay, Warren Trevor, *Walton and Heybridge U.D.C.* *Shearman, Stanley, *Yorkshire (West Riding) C.C.* Shelton, William, *Salford C.B.* Smith, Donald Hodson, *Nottingham C.B.* Smith, Jack, *Malvern U.D.C.* Smith, Reginald George Francis, *Middlesex C.C.* Smith, Thomas Edwin, *Birkenhead C.B.* Snell, Kenneth Hugh, *Torquay B.* Spencer, Stanley, *Horwich U.D.C.* Stafford, Maurice James, *Derbyshire C.C.* Sullivan, John Vincent, *Barking B.* Taylor, Ronald Alfred William, *Wanstead and Woodford B.* Thomas, George Frederick, *Preston R.D.C.* Thorpe, James Wesley, *Yorkshire (East Riding) C.C.* Townsend, Robert Arthur, *Leicester No. 2 Hosp. M.C.* Trafford, Alec, *Hemel Hempstead B.* Ulyatt, Leonard Douglas, *Lincolnshire (Lindsey) C.C.* *Viney, Philip, *Halifax C.B.* Warwick, Dudley Hayward, *Chelsea Met.B.* Westley, Stephen Eric, *Old Fletton U.D.C.* White, Harold Fred, *West Bromwich C.B.* Wilkins, Arthur Lionel Lea, *Nottinghamshire C.C.* Wilman, Albert Neville, *Kidsgrove U.D.C.* Withrington, Alan, *Leyton B.* Wood, Reginald Henry, *Hertfordshire C.C.* Woodall, Robert William, *Birmingham C.B.* Woodcock, Frank Verdun, *Surbiton B.* Wrigglesworth, Henry, *Worksop.*

*Passed Part II at a previous examination.

FINAL EXAMINATION - Part II

*Acaster, Norman, *Skipton U.D.C.* *Allard, Raymond, *Rotherham C.B.* *Appleton, Leslie Hubert, *Essex C.C.* *Archer, Frederick Thomas, *Bermondsey Met.B.* *Arneil, William Robertson, *Dunfermline.* *Arnold, Harold Thomas, *Torquay B.* *Atkinson, John, *Blackpool C.B.* *Babb, William, *Chelmsford B.* *Bailey, Marcus, *Middlesex C.C.* Bailey, Percival Henry, *Wakefield C.B.* *Ballham, Louis Leslie, *Wolverhampton C.B.* *Bamford, Harry, *Long Eaton U.D.C.* *Barclay, Simpson, *Dunfermline.* *Barnes, Trevor Norman, *Swansea C.B.* *Barnett, Harry, *Ennerdale R.D.C.* *Bean, Donald William, *Staffordshire C.C.* *Bean, Hubert Kenneth, *Luton B.* *Beckett, John Raymond, *Reading C.B.* *Bell, John Edmund, *Holyhead U.D.C.* Bevan, Ivor George, *Swansea C.B.* Billings, Clifford, *Bury C.B.* *Bingham, Maurice, *Wembley B.* *Bourne, George Kenneth, *S.E. Elec. Board.* *Brambee, Harry, *Salford C.B.* *Broadley, Henry Marsden, *Newcastle under Lyme B.* *Brooksbank, Jack, *Lincolnshire (Lindsey) C.C.* *Brown, James Jackson, *Salford C.B.* *Brown, John Hendry, *Dumfries.* *Brown, Robert James, *Dunmow R.D.C.* *Bruce, Donald George, *Buckfastleigh U.D.C.* *Bucknall, Bert, *Irlam U.D.C.* *Burgess, Ernest, *Normanton U.D.C.* *Capon, Stuart William, *Berkshire C.C.* *Carradice, Harrison Lloyd, *Nelson B.* *Carter, John Clifford, *Harrow U.D.C.* *Chapman, Charles Edward, *Corby U.D.C.* *Charlton, Orwin Charlton, *Dover B.* *Chitty, Leonard Arthur, *Sussex (West) C.C.* *Clark, Ernest William, *Greenwich Met.B.* *Clarke, Frederick William, *Coventry C.B.* *Clarke, William Ellis, *Thetford B.* *Claydon, Allan, *Bury C.B.* *Cockayne, Albert Nigel, *Plymouth C.B.* *Comben, Donald Alfred William, *Portsmouth C.B.* *Coombs, Louis, *Salop C.C.* *Couch, John Leslie Charles, *Swansea C.B.* *Crow, Geoffrey Colin, *Huddersfield C.B.* Currie, Ronald, *Chislehurst and Sidcup U.D.C.* Davies, Allen Stanley, *Cardiff C.B.* *Davies, Arthur Frederick, *Staines U.D.C.* Davies, Edward Glyn, *Newport (Mon.) C.B.* *Dodd, Charles Arthur, *Crewe B.* *Edington, John Morris, *Manchester C.B.* *Egarr, Ralph, *Bradford C.B.* *Eglen, Gerald Robert, *Liverpool C.B.* *Ellis, Walter, *Morton and Morden U.D.C.* *Evans, Trevor James, *Monmouthshire C.C.* *Farmborough, Kenneth Garrard, *Lincolnshire (Holland) C.C.* *Farrer, Jack, *Skipton U.D.C.* *Fisher, Dudley Henry, *Eastern Elec. Board (Norfolk Sub-Area).* *Ford, Arthur Hedden, *Plymouth C.B.* Foster, Herbert, *Surbiton B.* *Fowke, Donald Alfred, *Ilford B.* *Garnett, Jack, *Epsom and Ewell B.* *Geddes, Eric, *Dumfries.* *Gordon, William Gibson, *Tynemouth C.B.* *Gosling, Douglas Allen, *Southall B.* *Green, John Edwin Vernon, *Walthamstow B.* *Green, Robert Albert, *London C.C.* Greenaway, Frank Thomas, *Berkshire C.C.* Griffiths, George Henry, *Neath B.* Gudgeon, Ronald Bulman, *Westmorland C.C.* *Hankin, Kenneth Jesse, *Hendon Group Hosp. M.C.* *Harland, Hugh Richard Lionel, *Brighton C.B.* *Harley, Reginald Ernest Arthur, *Morpeth B.*

*Harnan, Frank Dennis, *Southport C.B.* Harris, William Edgar, *Burton upon Trent C.B.* *Harwood, John Bertram, *Otley U.D.C.* *Hawkard, Geoffrey, *Rochdale C.B.* Haywood, Alfred, *Burton-on-Trent C.B.* *Hetherington, James, *West Bromwich C.B.* Hodges, Gerald, *Newcastle upon Tyne C.B.* Hudson, John Dudley, *Yorkshire (West Riding) C.C.* Hume, James, *Hampstead Met.B.* *Hunter, John Whitaker, *Rotherham C.B.* *Irvine, Humphrey Barbour, *Midlothian C.C.* *Jeeves, Charles, *Carlisle C.B.* *Jeffery, Kenneth Ainley, *Cardiff C.B.* *Jenkins, Leslie Norman, *Ashton under Lyne B.* *Jobson, Frank Harold, *Oxford C.B.* Johnson, Edwin Charles, *Lambeth Met.B.* *Johnson, Frederick James, *Richmond (Surrey) B.* *Johnson, Thomas William, *Warrington C.B.* *Jones, Francis Reginald, *Tunbridge Wells Hosp. M.C.* *Jones, Gordon Lloyd, *Cheshire C.C.* *King, Albert Harry George, *Sutton and Cheam B.* *Knowles, John Vincent, *Harrow U.D.C.* Lacey, Raymond Kenneth, *Cardiff C.B.* *Lane, John Hasell, *Romsey B.* *Lawford, Ronald Jack, *Eastleigh B.* Leahy, William, *Cardiff C.B.* *Lee, William, *Haslingden B.* *Ling, Herbert William, *Islington Met.B.* *Lingwood, Rex Lionel, *Norwich C.B.* *Llewellyn, Jack David, *Coventry C.B.* Lodder, Eric Broadway, *Southampton C.B.* *Lowry, John, *Friern Barnet U.D.C.* *Lumb, Alfred, *Blackpool C.B.* *Lusted, Keith, *Sussex (East) C.C.* *Manning, Clifford Silvester, *Harrogate B.* *Marshall, William David, *Buckinghamshire C.C.* *Marsland, Norman William, *Burnley C.B.* *Massey, John Frederick, *Hailsham R.D.C.* *Matthews, Ronald Charles, *Barnet U.D.C.* *McIlwain, Joseph Gordon, *West Ham C.B.* *McNiece, James Robertson, *Bromley B.* *Millar, David, *Dunfermline.* *Millner, Frank Edward, *Birmingham C.B.* *Milne, Donald Stuart, *Wallasey C.B.* *Milton, Ian Vernon, *Sussex (East) C.C.* Mitchell, Gordon Milton, *Bexhill B.* *Mitchinson, Eric, *Derby C.B.* *Morse, Herbert John, *Dagenham B.* *Mirton, Arnold, *Stockton-on-Tees B.* *Musgrave, Thomas, *Somerset C.C.* *Neville, Kenneth Henry, *Harrow U.D.C.* *Newman, Horace John, *Ealing B.* *North, Peter Stanley, *Northampton C.B.* *Northover, Frederick Albert James, *St Helens C.B.* Oliver, Robert, *Sunderland C.B.* Osborn, Cyril Stanley, *Wanstead and Woodford B.* *Owen, James Edward, *Golborne U.D.C.* *Parslow, Robert George, *Esher U.D.C.* *Pasmore, Jack William, *Worthing B.* *Payne, James Edward, *Monmouthshire C.C.* *Pendred, Ernest Richard, *Tonbridge U.D.C.* *Phethean, Herbert, *Burnley C.B.* *Pleass, Donald Claude, *Somerset C.C.* Price, Winford Hugh Protheroe, *Cardiff C.B.* *Prouting, Neville Arnold, *Great Yarmouth C.B.* *Pugh, Idwal Lloyd, *Cardiganshire C.C.* *Purver, William Thomas, *Battersea Met.B.* Renner, Charles Douglas, *Newcastle upon Tyne C.B.* *Ridgeon, Clifford Henry, *Brentford and Chiswick B.* *Rowland, Laurie, *Essex C.C.* *Roxburgh, Arthur, *Yorkshire (North Riding) C.C.* *Russell, Frank Kenneth, *Birkenhead C.B.* *Screen, Hubert, *Dorsetshire C.C.* *Seear, Montague Percy, *Portsmouth C.B.* *Sewell, Reginald Herbert, *Coventry C.B.* *Shorten, Ronald Douglas, *Ashton under Lyne B.* *Siverns, John Wallett, *Dudley C.B.* *Slee, Richard, *Carlisle C.B.* *Smith, Alan, *Salford C.B.* *Smith, Mildred Florence (Miss), *East Anglian Reg. Hosp. Board* *Stanyard, Frank, *Middlesex C.C.* *Strange, Dennis Francis, *Luton B.* *Styles, Francis George, *Wandsworth Met.B.* *Taylor, Bernard V., *Godalming B.* Taylor, Harry, *Minehead U.D.C.* *Taylor, Kenneth George, *West Bromwich C.B.* *Taylor, Vernon Maddison, *Hexham R.D.C.* *Thorpe, Alfred Hasleham, *Morley B.* *Tunbridge, Stanley James, *Middlesex C.C.* *Turner, Arthur John, *N.E. Met. Reg. Hosp. Board.* *Turner, Peter William, *Suffolk (East) C.C.* *Varey, Arthur William, *Kingston upon Hull C.B.* *Vick, John Howard George, *Yiewsley and West Drayton U.D.C.* *Wade, William Eric, *Hornsey B.* Waite, John Nixon, *Greenock.* *Walker, Peter Arthur, *Sussex (East) C.C.* *Warlow, Thomas Alfred James, *Salford C.B.* *Welch, Denis Keith, *Blackpool C.B.* *Wheatland, Roy Craddock, *Epsom and Ewell B.* *Wheatley, Derick Arthur Pearce, *Andover B.* *White, Henry John, *Southwark Met.B.* *White, Wilfred Edmund, *High Wycombe B.* *Whitehead, Penry Joseph, *Weston-super-Mare B.* *Wilkinson, Ronald George, *Cardiganshire C.C.* *Williams, Harry Aston, *Portsmouth C.B.* *Willmore, Alfred Joseph John, *East Ham C.B.* *Wood, Thomas Evelyn, *Hampshire C.C.* *Wood, William Alfred, *Lincoln No. 2 Hosp. M.C.* *Woodcock, Gordon, *Birmingham C.B.* *Woods, Charles Henry Robert, *Lambeth Met.B.* *Wright, George Edward, *Sunbury-on-Thames U.D.C.*

* Passed Part I at a previous examination.

NOTES AND NOTICES

Personal

MESSRS DAVID SMITH, GARNETT & CO, Chartered Accountants, of 61 Brown Street, Manchester, 2, announce with regret that on March 31st, 1951, owing to ill health, Mr H. M. COOPER, C.A., retired from the firm. On April 1st, 1951, Mr A. HOLMES, A.C.A., was admitted into partnership. The name of the firm will remain unchanged.

MESSRS BROADS, PATERSON & CO, Chartered Accountants, of 1 Copthall Close, London, EC2, and of New York, Chicago and Paris, announce that Mr PERCIVAL GORDON BROAD, M.A., F.C.A., who has been associated with the firm for the last 37 years, retired from the partnership on March 31st, 1951. The practice will continue to be carried on by the remaining partners under the same style and at the same addresses.

MESSRS BARNES, DUNN & BOUGHTON, Chartered Accountants, of Balfour House, Finsbury Pavement, London, EC2, announce that owing to ill health, Mr REGINALD GRIFFIN, F.C.A., retired from the firm as from March 31st, 1951. The practice will be continued by the remaining partners.

MESSRS BAKER, SUTTON & CO, Chartered Accountants, of Eldon Street House, Eldon Street, London, EC2, announce that Mr ALBERT JOHN AYLING, A.C.A., and Mr ALAN PETER HUMPHRIES, A.C.A., both senior members of their staff, have been admitted as partners of the firm as from April 1st, 1951.

MESSRS MELLORS, BASDEN & MELLORS, of 1 King John's Chambers, Bridlesmith Gate, Nottingham, announce with regret the retirement, as from March 31st, 1951, of Mr ARCHIBALD GALLAND MELLORS, F.C.A., who has been with the firm for 57 years, and of Mr JAMES WILLIAM HEARNSHAW, A.C.A., on his accepting the position of managing director of an industrial company. Mr MELLORS will continue to attend to his directorships and other interests at the above address. The practice will continue to be carried on by the remaining partners as heretofore.

MESSRS MOLLER, MORTON & CO, Chartered Accountants, of Friars House, New Broad Street, London, EC2, announce that as from April 1st, 1951, they have admitted into partnership Mr KENNETH L. MORTON, A.C.A., the son of the senior partner.

The partners of MESSRS HILL, VELLACOTT & CO, Chartered Accountants, of Law Courts Chambers, 33–34 Chancery Lane, London, WC2, announce with great personal regret the retirement on March 31st, 1951, of their partner, Mr ARTHUR HEYWOOD HILLYER, F.C.A. Mr ARTHUR HILLYER was originally articled to the firm in May 1898, and later joined the firm as a partner in January 1923.

MESSRS H. WAISSEN WILSON & CO, Chartered Accountants, of 20 Copthall Avenue, London, EC2, announce that Mr E. STANLEY PRINCE, A.C.A., has been admitted to the partnership as from April 1st, 1951.

MESSRS THOMAS MAY & Co, Incorporated Accountants and Auditors, of Allen House, Newarke Street, Leicester, announce with regret that, owing to continued ill-health, Mr R. M. BRANSON, F.S.A.A., has felt compelled to retire from the partnership after an association extending over 42 years. The practice is being carried on by the remaining members of the firm.

MESSRS EVANS SMITH, BOOTHROYD & Co, Chartered Accountants, of 99 Fenchurch Street, London, EC3, announce with regret the death, on Saturday, March 17th, 1951, of their senior partner, Mr ROWLAND EVANS SMITH, F.C.A.

MESSRS SCOTT & PATERSON, Chartered Accountants, of Edinburgh, announce that their senior partner, Mr H. M. D. WATSON, C.A., retired on February 28th, 1951, after fifty-two years in the profession. The practice will be continued by the remaining partner, Mr W. A. SCOTT, C.A., F.S.A.A., and by Mr ANGUS MACBEATH, C.A., A.C.W.A., who served his apprenticeship with the firm, has held senior appointments with Messrs COOPER BROTHERS & Co, and Messrs PEAT, MARWICK, MITCHELL & Co, and has practised in Manchester.

MESSRS JENKS, PERCIVAL, PIDGEON & Co, Chartered Accountants, of 14 Finsbury Circus, London, EC2, announce that they have admitted into partnership as from April 1st, 1951, Mr C. M. MCGILCHRIST, C.A., who has been with them for a number of years. The style of the firm will remain unchanged.

MESSRS JOHN BAIN & Co, Chartered Accountants, of Basildon House, Moorgate, London, EC2, announce that Mr R. GORDON WALKER, A.C.A., who has been with the firm since August 1948, has been admitted a partner as from April 1st, 1951. The style of the firm will remain unchanged and the practice will be continued from the same address.

MESSRS SMAILES, HOLTBY & GRAY, Chartered Accountants, of 99 Princes Avenue, Hull, announce that as from April 1st, 1951, they have taken into partnership Mr JAMES HANKINSON, A.C.A., Mr RONALD CYRIL COPEMAN, A.C.A., A.S.A.A., and Mr COLIN NIGEL BRUCE, A.C.A., who have been associated with the firm for many years. The name of the firm will remain unchanged.

MESSRS C. E. C. NICHOLLS & Co, Incorporated Accountants, of 21 Gildredge Road, Eastbourne, announce that Mr C. E. C. NICHOLLS, F.S.A.A. retired on March 31st, 1951, after being in practice for over forty years. As for some time Mr H. PRICE, A.C.A., A.S.A.A., has been connected with Messrs HOLMES, PRICE & Co, Chartered Accountants, at the same address, arrangements have been made for the practices to be amalgamated and to be continued under the name of HOLMES, PRICE & Co.

MESSRS GILBERT H. BOWLES & Co, of 46 Billiter Buildings, 49 Leadenhall Street, London, EC3, announce with regret the death on March 19th, 1951, of Mr J. W. WHALE, A.C.A. The practice will be continued under the same name as formerly by Mr GILBERT H. BOWLES, M.B.E.

MESSRS BOURNER, BULLOCK & Co, Chartered Accountants, of 17 Albion Street, Hanley, and Federation House, Station Road, Stoke-on-Trent, announce that Mr ROBERT STUART WILKINSON, A.C.A., has been admitted to partnership as from April 1st, 1951. The name of the firm and other partners remain unchanged.

MESSRS BROWN & PIPER, Chartered Accountants, formerly of Maritime Buildings, Sunderland, announce that they have removed their offices to 56 John Street, Sunderland. Telephone: Sunderland 3668.

MESSRS VINEY, PRICE & GOODYEAR, Chartered Accountants, of Empire House, St Martin's-le-Grand, London, EC1, announce that Mr W. F. M. HORNE, F.C.A., who has been with the firm for twenty-five years, including twelve years as a partner, retired from the partnership on March 31st, 1951, in order that he may join the board of an important public company.

THE partners of Messrs CALLINGHAM, BROWN & Co, Chartered Accountants, of Balfour House, 119–125 Finsbury Pavement, London, EC2, announce, with personal regret, that Mr ROLAND R. CALLINGHAM, F.C.A., having decided to relinquish professional practice, retired from the firm on March 31st, 1951. The practice will continue to be carried on under the same name as heretofore.

MESSRS GRACE, DARBYSHIRE & TODD, Chartered Accountants, of 19 Whiteladies' Road, Bristol, 8, announce that the partnership came to an end on March 31st, 1951, by the effluxion of time. Mr J. EDWARD GRACE, F.C.A., ceases to be a partner, but will continue in practice at the above address in his own name for the purpose of carrying on his directorships, secretaryships, executorships, trusteeships and similar matter. Mr PHILIP H. DARBYSHIRE, F.C.A., retires from the partnership, but will be available in a consultative capacity. Mr A. FRANK WARD, F.C.A., Mr STEPHENSON GRACE, F.C.A., Mr A. ERNEST M. HARBOTTLE, A.C.A., Mr W. WINDSOR GRACE, A.C.A., and Mr BRIAN DARBYSHIRE, A.C.A., will continue to practice in partnership under the firm name of GRACE, DARBYSHIRE & TODD.

MESSRS CLARKE PICKERING & Co, Chartered Accountants, of 23 Bedford Row, London, WC1, announce that Mr EDWARD H. STANFORD, A.C.A., has retired from the partnership to take up an appointment elsewhere. The firm will be carried on by the remaining partners, Mr RONALD R. PICKERING, F.C.A., and Mr WILLIAM HOLLAND, A.C.A.

MR EDWARD H. STANFORD, A.C.A., F.A.C.C.A., A.C.I.S., A.C.C.S., announces that, as from April 1st, 1951, he is practising at 'Three Elms', Weald View Road, Tonbridge, Kent.

MR H. J. WAUGH, Chartered Accountant, of Midland Bank Chambers, Hereford, announces that he has taken into partnership, as from April 1st, 1951, Mr H. D. J. HAINES, A.C.A. The style of the firm is now H. J. WAUGH & Co.

MESSRS HUGH LIMEBEER & Co, Chartered Accountants, of 2 Broad Street Place, London, EC2, announce that Mr M. MACLACHLAN, F.C.A., retired from the partnership on March 31st, 1951.

Professional Note

The directors of Hall & Co Ltd, of Croydon, announce that Mr F. C. H. Edwardson, A.C.A., the secretary-accountant of the company, joined the board on April 1st. Mr Edwardson will continue to be secretary of the company.

Obituary

THE REV. REGINALD HARRY SUTTON GOBBITT, M.B.E., M.A., A.C.A.

It is with deep regret that we announce the recent death of The Rev. Reginald Harry Sutton Gobbitt, M.B.E., M.A., A.C.A., Rector of St Leonard's, Wallingford, Berkshire.

Born at Beccles, Suffolk, fifty-nine years ago, Mr Gobbitt at first contemplated a career in accountancy, being first in the Intermediate and second in the Final examinations of the Institute and gaining the 'W. B. Peat' Medal and Prize. He was admitted an Associate in 1913. However, after serving for a year with the firm of Deloitte, Plender, Griffiths & Co, he went to Cambridge University, where he took his M.A., and he was ordained in 1922.

During the last war Mr Gobbitt was severely injured during an air raid on Bristol, where he was Vicar of St Martin's Church, Knowle, for some twelve years. He served in the Royal Navy during the First World War, and was awarded the M.B.E. for his services on the Naval Transport Staff in Marseilles. He was a member of the Oxford Diocesan Board of Finance. An article by Mr Gobbitt, entitled 'Christmastide and Accounting', appeared in our last Christmas issue.

ROWLAND EVANS SMITH, F.C.A.

It was with regret that we learnt of the death, on March 17th, of Mr Rowland Evans Smith, F.C.A., senior partner in the firm of Evans Smith, Boothroyd & Co, Chartered Accountants, of London and Birmingham, who was in his sixty-seventh year.

Mr Evans Smith was admitted an associate of the Institute in 1906 and elected a fellow in 1914. He started in partnership in the firm name of Portlock & Smith, and in 1919 he joined the late Mr Ernest Boothroyd to found the present firm.

Mr Evans Smith was a Past Master of the Benevolentia Lodge No. 2549 and Chartered Accountants Lodge No. 3162 of Freemasons, and Past Principal of the Benevolentia and Chartered Accountants Royal Arch Chapters. He was Treasurer of the Benevolentia Lodge for many years up to the time of his death.

ARTHUR HASLAM, F.C.A.

We record with regret the death of Mr Arthur Haslam, F.C.A., principal of the Walsall firm of Arthur Haslam & Co, Chartered Accountants.

A resident of Wolverhampton, Mr Haslam was admitted an Associate of the Institute in 1904 and elected a Fellow in 1918.

Mr Haslam was keenly interested in the work of the Walsall Chamber of Commerce and a special resolution expressing appreciation of his generous services was passed at a recent meeting of the Chamber.

The Institute of Chartered Accountants in Ireland

CHANGE OF ADDRESS

The Secretary of The Institute of Chartered Accountants in Ireland announces that as from April 6th, 1951, the address of the Institute will be 7 Fitzwilliam Place, Dublin. Telephone: Dublin 66018.

Residential Tuition Course at Durham

One hundred and twelve students attended the week-end residential course beginning last Saturday at Hatfield College, Durham, organized by The Northern Chartered Accountant Students' Society, in conjunction with the senior society. This number included students who had come from Cumberland, and others who were not normally able to attend the usual functions of the Society because they lived so far away.

To inaugurate the course, details of which were given in our issue of January 13th last, a dinner was held at the college on the Friday night. In the unavoidable absence of the President of the Students' Society, Mr K. L. Rosenvinge, A.C.A., Mr R. B. Kirsopp, A.C.A., Vice-President, welcomed the guests, who included Mr H. Garton Ash, O.B.E., M.C., F.C.A., President of The Institute of Chartered Accountants, who was introduced by Col R. P. Winter, M.C., T.D., F.C.A. Mr Garton Ash gave a stimulating address and was thanked by Mr D. G. U. Hardy, a student member, in an amusing speech. During the evening, Mr Garton Ash presented the 'Deloitte' Prize for 1950, for the Preliminary examination, to Mr J. F. N. Jackson of Sunderland.

In Parliament

INCOME TAX

Mr DOUGLAS HOUGHTON asked the Chancellor of the Exchequer whether the pay of Z Class Reservists during their fifteen days' training this summer is to be included in the recipient's income-tax return to be completed after April 5th, 1952, and when tax will be payable on this income.

Mr GAITSKELL: This pay should be included in the recipient's return of income for the year 1951–52. In the case of reservists whose civilian pay is subject to deduction of tax under P.A.Y.E., the tax on training pay will normally be collected during the year 1953–54.

Hansard, Mar. 20th, 1951. Oral Answers, Col. 2311.

The Corporation of Certified Secretaries

DECEMBER 1950 EXAMINATIONS

The results of the December 1950 examinations of the Corporation of Certified Secretaries have now been announced. The first place and 'Sir Cuthbert Grundy' Medal in the Final examination were gained by Mr Eric Alan Meyerson, of Johannesburg; second place by Mr Subramaniam Padmanabhai Iyer, of Bombay; and third place by Mr Ernest Charles Heptonstall, of Darlington. There were 65 successful candidates in the Final and of the 49 who failed, 12 obtained a pass in Part I, and 17 in Part II.

In the Intermediate examination the first place and 'Kennedy' Medal were won by Mr Trikannad Mohammed Yakub, of Bombay. Second and third places were gained by Mr K. K. Ganardhanan Kurup, of Bombay, and Mr Reginald Alan Stammers, of Grootfontein, S.W. Africa. There were 85 successful candidates, and of the 56 who failed, 14 obtained a pass in Section A only, and 18 in Section B.

In the preliminary examination there were 10 successful candidates and 15 candidates failed. The first place and 'Corporation' Prize were won by Mr Stanley John George, of London.

In the Final of the Local Government and Public Administration examination, the first place and 'Iddesleigh' Medal were gained by Mr Robert Jepson, of Wallasey, Cheshire. The second and third places went to Mr Alan Edgar Bennett, of Wallasey, and Mr George Arthur Rawson, of Freckleton, Lancashire. Ten candidates passed.

The Local Government and Public Administration Intermediate examination first place and 'Council' Prize were awarded to Mr Arthur John Owens, of Wirral; second and third places were gained by Mr Colin Neal Whitaker and Mr John Greenhalgh, both of Bury.

There were 46 successes in this examination.

The Universities and the Accountancy Profession

CONFERENCE AT OXFORD

The 1951 biennial conference of representatives of twelve universities and of the Institute, the Society and the Association, was held at The Queen's College, Oxford, last week-end.

The forty-six representatives who attended discussed the progress and problems of the joint scheme for the university education of prospective members of the accountancy profession.

The conference opened on Friday evening, March 30th, and continued until midday on Sunday, April 1st, members living in college over the two days.

The Rt. Hon. Lord Eustace Percy, P.C., chairman of the Joint Standing Committee of the scheme, presided at the discussion meetings.

Festival Gardens Costs Inquiry

Speaking in the House of Commons last Tuesday, the Minister of Works stated that at his request the board of Festival Gardens Ltd had invited a leading firm of chartered accountants to investigate and report on the circumstances which had caused the financial commitments of the company to be greatly in excess of the amount estimated in December last.

Our Weekly Problem

NO. 40: MOWING THE LAWN

Mr L. U. Sidate was annoyed to find that he had omitted to have his motor mower attended to last autumn. He got out the old hand machine which mowed a width of 12 inches. He placed some beer bottles at intervals on the edge of the lawn and began to mow his lawn which measured 22 yards by 24 yards. He began at a speed of 3 miles an hour. He found that it took half the mowing time to wheel the grass to the compost heap, and after a certain number of minutes he reached the first beer bottle. After an interval of three minutes he started again at half a mile an hour slower, mowing and removing grass to the same number of minutes until he reached the second bottle, and the same procedure followed. Each time he began again his pace was reduced by half a mile an hour. There was no final bottle at the end as it was tea-time. The total time was three-quarters of an hour.

How many bottles of beer did he consume?

The answer will be published next week.

ANSWER TO NO. 39: THE BOAT RACE

If s is the distance in miles:

$$\frac{2s}{15} = \frac{s}{12} + \frac{18}{60} \therefore s = 6 \text{ miles.}$$

The Accountant

ESTABLISHED 1874

APRIL 14TH 1951 VOL. CXXIV NO. 3982

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THE DEFENCE BUDGET

MR GAITSKELL'S first Budget may be called the Budget of the assumptions. As a plan of fiscal strategy it stands or falls on certain basic hypotheses about rising productivity, rising prices and the achievement of a balance, excluding strategic purchases, in the external account. There may be serious disagreement with what the CHANCELLOR has done about matters of detail but if these basic assumptions are agreed (and few of the more responsible critics will be able to put up any better alternatives) the outline of this year's fiscal plans will be generally accepted. For that reason there are no big surprises in the CHANCELLOR's diagnosis of what has to be done. Indeed, the general pattern of the statistics was common knowledge before last Tuesday and those bolder prophets who foresaw a rise of *6d* in the income-tax and a higher duty on petrol have the cold comfort of having been right.

The central issue of this year's Budget, discernible some weeks ago and reiterated by the CHANCELLOR on Tuesday, is how to meet increased expenditure on rearmament out of the country's available resources without seriously impairing the standard of living or the rate of creation of the nation's capital assets. It was clear from the Economic Survey published last week that the Government had little intention of seriously curtailing its non-defence expenditure, that higher prices were to play an important role in slightly reducing the standard of living, that capital investment by industry was not to increase more than a few millions above last year's level, and that inflationary pressure was to be staved off in part by aiming for no more than a balance on the external account, in short, that there was to be no net outflow of goods. These, and one or two other items in the jigsaw, have now been fitted into place by the Budget.

The CHANCELLOR has approached the problem in this way. Using the conventional form of government accounts, he expects a deficit of £99 million this year compared with a surplus of £720 million last year, unless there are alterations in taxation. Revenue is put at £4,098 million and expenditure at £4,197 million. There would have therefore been a net deterioration of £819 million compared with the year before. He has started, in consequence, with the hypothesis that last year the country's resources were just about sufficient to go round – perhaps a slightly optimistic assumption. He has said, in effect, that this year's gap represents a demand for goods and services which cannot be met without readjustments. It becomes the purpose of fiscal policy this year to bring about these alterations to demand. It will be recalled that any improvement in the revenue due to higher productivity has already been taken account of in the figure of £4,098 million.

The first adjustment has been to take away £130 million for strategic stock-piling. This is accepted as a charge on the balance of payments which may run a deficit up to that amount. He has then taken out of the Budget those items of capital expenditure which have been allowed elsewhere in the nation's capital accounts. For the same reason, trading departments' stocks and other assets are also taken out. Then, items such as sinking fund payments are excluded since these are internal transfers. On the other hand, receipts from surplus stores are also excluded as once-only items. In brief, to have included all these items in the Budget would, from this point of view, have been double counting These changes reduce the gap from £819 million to £475 million.

Last year there was a surplus of £200 million on the balance of payments. If the target of a balance only is accepted for this year, as it has been, there is a saving of £200 million here since goods to that value do not leave the country. A sum of £170 million is to be found in a full year by stopping the 40 per cent initial allowance on plant and machinery as from 1952 and the 10 per cent allowance on buildings and so on is to be retained. (See 'The Budget and Taxation' commencing on page 351.) For this year, the 'benefit' to the Government comes as a deterrent to investment by industry. The net increase in investment by non-government institutions is to be kept to £30 million. These in total when deducted from £475 million leave a gap of £305 million.

An increase in saving is expected from the public, in the form of personal savings and company savings, of £170 million. Since the CHANCELLOR seems prepared to come upon some net dis-saving from personal incomes, business may have to find a figure nearer £200 million if the estimates are to be realized. At this point the CHANCELLOR is on exceedingly slippery ground for judging from past years it will need a very large increase in 'paper' profits in the form of appreciated stock values to reach such a target. But assuming that the figure is attainable, there is a gap left of £135 million, to which £15 million must be added to allow for an anticipated fall in the saving done by public authorities other than the Government. The final gap left to be filled by the Government is thus £150 million. Unofficial estimates in recent weeks have not been widely different from this figure.

This difference of £150 million might be reduced either by a cut in Government expenditure or by higher taxes – or both. In the event, the third alternative has prevailed. From figures already published it was not expected that there would be any notable cuts in Government outlay. The CHANCELLOR has done rather better than might in consequence have been expected. From a mass of miscellaneous expenditure on the civil votes he has cut £30 million (£540 million to £510 million). Education costs are up. The standard rate of contributory pensions has been raised. The food subsidies are to be held at the present level of £410 million. The National Health Service will cost £398 million net – but the public is to pay about half the cost of dentures and for half of each pair of glasses. There are signs here of courage at the Exchequer against embattled opposition from elsewhere in the Cabinet.

The upshot of these changes in the Government's civil outlay is a slight increase in the gap from £150 million to £170 million. The CHANCELLOR has decided to fill it by heavier taxation and it is here that controversy will probably rage over the next three months until the Finance Bill is passed. The changes are discussed here only in outline but further details are dealt with in 'The Budget and Taxation'.

Profits tax on distributed profits is up to from 30 to 50 per cent – a political gesture to the wage-earner. By some rather shaky logic in an otherwise outstandingly lucid exposition, the CHANCELLOR seems to suggest that when the wage-earner thaws out the wage-freeze the shareholder should stay ice-bound, which is a strange notion in a Budget which reckons to cater for the special case of the old-age pensioner. In very many cases the older age-groups are also small shareholders. It is expected that the higher rate of tax will cause firms to increase their savings and this is put at £30 million in the current year. Tax accruing is put at £5 million this year and £68 million in a full year. The tax on undistributed profits is to stay at 10 per cent. Steps are to be taken to stop bonus shares being issued coupled with capital redemption. There are relaxations, however, for directors' remuneration in computing profits tax.

Purchase tax is to be used, as before, both as a revenue-earner and as a deterrent to purchasing – a contradiction in terms which only tax-gatherers can enjoy. Purchase tax is raised from $33\frac{1}{3}$ to $66\frac{2}{3}$ per cent on motor cars, radios, television sets and valves as a means of forcing makers into defence production – a violent gesture which will be much resented by many manufacturers such as those who make specialist cars. Consumer goods made by the engineering industry are also to have their tax raised. Other consumer goods have had it reduced. An increase of 1*d* to 5*d* goes on cinema seats. Petrol goes up $4\frac{1}{2}d$ a gallon and other light and heavy oils used on the roads are to be increased by a corresponding amount.

The gap of £170 million has now been reduced somewhat. Higher corporate savings are estimated to be worth £30 million, the customs and excise duties summarized above fetch £61 million. This leaves £79 million to find. All but £2 million of it will come from an extra 6*d* on the income-tax (less higher married and children's allowances). Details will be found below, in 'The Budget and Taxation'.

To return in conclusion to the Budget accounts. With the gap closed to within £2 million, a surplus on current account is produced of £224 million (using the alternative classification rather than the conventional one). It has been achieved by setting off certain Government outlay against problematic savings by the community.

THE BUDGET AND TAXATION

The following is a short summary of the major taxation proposals in the Budget:

(a) DIRECT TAXATION

Income Tax

(i) The standard and reduced rates each to be increased by 6*d* in the £.

(ii) The marginal exemption limit of tax to be increased from one-quarter to three-tenths of the excess of income over £135.

(iii) Higher (married) personal allowance to be increased from £180 to £190.

(iv) Child allowances to be increased from £60 to £70 with a corresponding increase in the maximum income of each child.

(v) Full dependent relative allowance to be granted where the relative's income does not exceed £80, reducing by £1 for each £1 by which his income exceeds £80.

Sur-tax

(vi) The top rate of sur-tax for 1951–52 (payable January 1st, 1953), chargeable on the slice of income over £20,000, to be reduced from 10*s* 6*d* in the £ to 10*s*, to avoid a combined rate of income and sur-tax exceeding 19*s* 6*d*.

Income Tax and Profits Tax

(vii) Suspension of all initial allowances on industrial buildings, machinery, mines and oil wells in respect of expenditure incurred after April 5th, 1952.

Profits Tax

(as from January 1st, 1951)

(viii) Rate chargeable in respect of distributed profits to be increased from 30 per cent to 50 per cent; that for undistributed profits to remain at 10 per cent.

(ix) Maximum directors' remuneration to be increased from £2,500 per annum to £3,500 per annum where there are two working directors, and to £4,500 per annum where there are more than two such directors. (Director-controlled companies.)

(x) Public utility undertakings (mainly road passenger transport and water undertakings), at present exempt, to be charged to profits tax at 10 per cent only.

(b) INDIRECT TAXATION

(i) Petrol tax to be increased by $4\frac{1}{2}d$ per gallon as from April 10th, 1951.

(ii) Increase from $33\frac{1}{3}$ per cent to $66\frac{2}{3}$ per cent in purchase tax on motor-cars and on gas and electric domestic appliances.

(iii) Exemption from purchase tax of certain domestic articles.

(iv) Increase in entertainment duty varying from $\frac{1}{2}d$ to 5*d* in respect of cinemas, horse-racing, dog-racing and speedways.

Background to the Taxation Changes

This year's Budget has brought few surprises, pleasant or unpleasant. Indeed, the popular forecasts, although certainly gloomy, have proved remarkably accurate. The increases in income and profits taxes, apart from the important contribution they make to the Revenue and their direct deflationary effect, are no doubt meant to

strengthen the Government's armoury against demands for wage increases.

INCOME TAX

Rates and Personal Allowances

As indicated above, the first £50 of taxable income is now to be taxed at 3*s* in the £, the next £200 at 5*s* 6*d* in the £, and the standard rate is to be 9*s* 6*d*, an unprecedented rate in peacetime. The increased allowances to married and family men soften the blow for them. A married man with three children, having income wholly earned, will pay no more tax than at present unless his income exceeds £1,250 per annum. Single persons fare badly, even those with incomes of only £140 per annum will pay more tax.

The changes in allowances and rates involve the issue of new P.A.Y.E. tax deduction tables and a certain amount of recoding. This cannot be done at once, so the changes will not take effect until the week commencing May 25th next, until which time under-deductions will be accumulating for very many employees, who will have something of a shock when the under-deductions are made good.

Initial Allowances

In view of the considered recommendation of the MILLARD TUCKER Committee on the Taxation of Trading Profits, whose Report is reviewed in this issue, it is surprising that the CHANCELLOR should suspend initial allowances. He does say that legislation based on the Report will be considered next year, but as far as the recommendation of an extension of the initial allowances is concerned, he has clearly prejudged the issue, for the suspension itself does not take effect until next year. This fact is likely to cause a scramble for plant and machinery, particularly motor-cars, which are now to cost even more. There may also be the temptation between now and next April for traders to sell their equipment to each other second-hand.

Intra-group Transactions

Groups of companies are often in a position to switch profits and losses from one member of the group to another, in such a way as to reduce the tax bill of the group as a whole. Legislation is proposed to counter this type of avoidance device, and it will be interesting to see exactly how the relevant sections will be drafted. They are certain to be complicated. Incidentally, the MILLARD TUCKER Report makes a recommendation directed to reducing the tax bill of a group where a notional profit is made from intra-group transactions.

Building Society Arrangements

As indicated by SIR STAFFORD CRIPPS in July of last year when he was Chancellor, the long-standing arrangements for the taxation of building societies on a special basis are to be given statutory sanction.

New Sources of Investment Income: Basis of Assessment

It is proposed to substitute for proviso (ii) to Section 30 of the Finance Act, 1926, which deals with the basis of assessment on new sources of investment income, a new proviso which will strengthen the Revenue's hand.

Tax Deducted by Paying Agents under Miscellaneous Rule 7

Miscellaneous Rule 7 of Schedule D of the Income Tax Act, 1918, provides for special assessments on paying agents in this country in respect of dividends and the like entrusted to them by 'any foreign or colonial company, society, adventure, or concern', the paying agent deducting the tax when paying over the dividend to the person entitled to it. The category of persons and bodies to whose dividends the rule applies is not comprehensive. In practice it has been extended to cover cases to which the rule does not strictly apply. It is now proposed to regularize the position by amending the rule. For the words quoted above there are to be substituted the words 'any body of persons not resident in the United Kingdom', and this change is to be retrospective to cover all deductions which were made by paying agents in accordance with the practice referred to. It is also proposed to amend Rule 7 so as to exclude from its scope all payments to which Rule 19 or Rule 21 of the General Rules apply.

Staffs of High Commissioners etc.

Section 26 of the Finance Act, 1925, exempts from income-tax and sur-tax (and also land tax) members of the staff in this country of High Commissioners and Agents-General of Commonwealth Governments. It is now proposed to withdraw this exemption from persons who are employed in any trade, business or other undertaking carried on for the purpose of profit.

PROFITS TAX

Increased Rate on Distributed Profits

Once again accounting periods are to be split up for the purpose of profits tax, the significant date

this time being January 1st, 1951. As from that date profits tax is to be charged at 50 per cent instead of 30 per cent, with non-distribution relief stepped up to 40 per cent, so that the net rate for undistributed profits is to remain at 10 per cent. There will be the usual provision aimed at those avoidance devices which consist of the belated declaration of dividends in respect of periods prior to 1951. This increase has been precipitated by the general increase in profits and the recent tendency to step up dividends. The CHANCELLOR has decided that specific direct restriction of dividends themselves is not practicable without an excessive expenditure of man-power.

Statutory Undertakers

Section 19 (5) of the Finance Act, 1937, exempted statutory undertakers from profits tax. A great many of such undertakers have been nationalized, and their successors have been specifically brought within the profits tax field. The exemption is now confined mainly to road passenger transport undertakings and water undertakings and it is proposed to withdraw it to the extent of charging such undertakings at 10 per cent only.

Directors' Remuneration

The gloom surrounding these changes is relieved by the proposal that some relief be given to the smaller director-controlled companies in which more than one working director is employed and the remuneration of the directors is restricted. Where there is only one working director (other than a whole-time service director) the maximum allowance for remuneration remains at £2,500 unless the profit is above a certain figure. It is proposed to increase it, however, to £3,500 where there are two such working directors, and to £4,500 where there are three or more of them.

Bonus Shares and Distributions

The distribution provisions of profits tax, as at present worded, can be evaded by the device of applying profits in the payment up of bonus shares and subsequently repaying to the members the capital paid up on such bonus shares, although it is doubtful how far, if at all, this device is open to a company which is controlled by its directors. This device is to be countered by new legislation, as also is the manipulation of profit by intra-group transactions.

ESTATE DUTY

Government Securities and Non-resident Persons

The Treasury power to issue securities with the condition that they are exempt from taxation as long as they are in the beneficial ownership of a person who is domiciled and ordinarily resident outside the United Kingdom was long regarded as permitting exemption from estate duty in the case of such securities when the beneficial owner died. In *In re Smith's Settlement Trusts* (*The Accountant*, February 10th, 1951, page 140), however, it was decided that when the securities in question passed on a death into the beneficial ownership of a person domiciled and ordinarily resident abroad, the exemption applied in his favour, although the deceased was resident in the United Kingdom. It is now proposed to alter the law to conform with the practice obtaining before *In re Smith's Settlement.*

Overpayments of Estate Duty

It follows from the above that many persons will have paid estate duty to which the Revenue was not in fact entitled. To prevent claims for repayment in these and analogous circumstances, it is proposed to make specific provision prohibiting such repayment. Conversely, where estate duty was paid in accordance with the practice prevailing at the time, and it is subsequently discovered that there was an underpayment, the Inland Revenue is not to have power to recover it.

THE MILLARD TUCKER REPORT

Taxation of Trading Profits

The CHANCELLOR began his review of tax changes with a tribute to the MILLARD TUCKER Committee on the Taxation of Trading Profits. He said that its Report was a most careful document, representing the result of a great deal of hard work and thought and expressed his warm thanks to the chairman and members of the Committee for the valuable service rendered by them.

The CHANCELLOR went on to say that he had not yet been able to study the recommendations in detail and that in any event he must await the reactions of industry and commerce before coming to final conclusions. Accordingly, any question of legislation on the Committee's Report will therefore have to wait till next year.

This treatment of the Report is somewhat disappointing. The reactions of industry and commerce can surely already be judged from the evidence which representative associations submitted to the Committee over twelve months ago and which has received ample publicity. There is still time to introduce into this year's Finance Bill some clauses effecting the more urgent reforms which have been recommended.

TAXATION OF TRADING PROFITS

THE MILLARD TUCKER REPORT

THE indefinite carry forward of tax losses, extension of Section 34 relief to two years instead of one, backward spread of loss incurred in the final year of trading, optional spreading of business income for sur-tax purposes, full allowances for the amortisation of all wasting business assets, including leases, and 'cessation' options to partnerships on a change in the basis of allocation; these are some of the good things which will come to trading and professional taxpayers if the Government adopts the recommendations of the Committee on the Taxation of Trading Profits. On the other hand, 'Usher' allowances will be modified and evasion by partnership changes will come to an end.

The Report of the Committee, which was set up on June 17th, 1949, by the then CHANCELLOR OF THE EXCHEQUER, was published[1] on April 6th last. It is a 132-page document containing 329 numbered paragraphs, with a summary of the recommendations and two appendices, one being a list of the persons and bodies who made representations to the Committee and the other containing a number of examples worked out by the Inland Revenue for the purpose of showing the complications which would arise from the adoption of a current-year basis of assessment combined with a system of provisional assessments. There is a short but useful index.

Although the main interest of the report will lie in its recommendations, it is also most valuable in that it sets out the nature of the problems with which it deals, and the implications and fallacies contained in some of the representations made on those problems, with a lucidity which comes almost as a shock to persons familiar with the usual treatises on these subjects. Whatever the fate of its recommendations, the Report will continue to have a high place in taxation literature for many years to come.

I. Basis of Assessment

(*a*) YEAR OF ASSESSMENT

Those who were present at the public meetings of the Committee which were devoted to the question of basis of assessment, and who heard the criticisms of all the alternative bases then put forward, were made to realize the immense difficulties in the way of improving the present law. Despite the admitted drawbacks of that law, it is no reflection on the Committee that it was unable to recommend any change. The Report deals fully with the major suggestions made and shows clearly their impracticability. Most of them would result in a great increase of work and, as the Report says, an increase in the number of persons not engaged in productive industry is much to be deprecated. Moreover, income-tax has a special place in the State's fiscal machinery; the CHANCELLOR, in his Budget can, by altering the rate of the tax, make immediate changes whose effect on the Revenue of the ensuing year can be accurately estimated, and whose immediate economic effects can also be foreseen, although perhaps with rather less accuracy. It is unlikely that any Chancellor would sanction a change in the law which took away that flexibility without conferring a comparable benefit.

On the whole, the fact that in the early years of a business the same profit is taxed twice, while in its closing years some profit escapes assessment altogether tends to the benefit of the taxpayer, since profits are usually lower in the early years. Moreover, where profits are increasing, the time lag in the corresponding increase in tax is an advantage not lightly to be thrown away.

(*b*) PARTNERSHIPS

The present preceding-year basis of assessment gives rise to the most glaring anomalies in the case of partnerships, both where there is a change in the composition of the partnership, and where there is merely a change in the basis of allocation of the profits.

The present option to claim the application of the 'cessation' provisions on a change of partners does not always dispose of inequity because it has to be a unanimous claim and the partner who would benefit from it cannot always secure the co-operation of partners who would obtain no benefit. Moreover, as a result of the decision in *Osler v. Hall & Co* ([1933] 17 T.C. 68), it is possible to evade tax by manipulating the composition of the partnership and such evasion seems to be fairly widespread. On the other hand, the application of 'cessation' involves the loss by the continuing partners of the right to carry

[1] H.M.S.O. Cmd. 8189, 3*s* 6*d* net.

forward losses and capital allowances arising before the 'cessation'.

A change in the basis of allocation, unlike a change in partnership, gives no right to the 'cessation' option. The assessment on a partnership is allocated among the partners on the basis obtaining in that year of assessment. The amount of that assessment, however, is normally based on the profit of a preceding year, when an individual partner's allocation may have been much less. If the profit is falling, he may have to pay tax on a much larger sum than he will ever receive.

The Committee makes recommendations designed to deal with these anomalies. In the first place, a change in composition will involve the automatic application of the 'cessation' provisions unless all the partners elect otherwise. The executors of a deceased partner whose death caused the change will not, however, be able to veto this election. As a corollary, this notional cessation will not prevent the continuing partners from carrying forward their share of unrelieved loss or capital allowances. Secondly, where there is a mere change in the basis of allocation it will be possible to secure the application of the 'cessation' provisions. To do this, it will be necessary to dissolve partnership formally in writing, create a new partnership, and serve notice in writing on the tax office within a specified time limit. Thus the partner who, from an income-tax point of view, is prejudiced by the change, can insist on a formal dissolution and can himself serve the notice. Of course, whether he will be wise to avail himself of these rights will depend on the partnership articles and on other sanctions which may be open to his fellow-partners.

The final recommendation on this subject is in effect that the decision in *Osler v. Hall* should be reversed, i.e. that former partners should not escape any increase in penultimate-year liability as a result of the cessation, notwithstanding any other change in the constitution of the partnership.

(*c*) Losses

The Report recommends the abolition of the six-year time limit for the carry-forward of losses, a change which will end the somewhat absurd distinction between losses displaced by capital allowances and losses not so displaced. Incidentally, the change would also give a fillip to the trade in shares of moribund companies whose sole asset is 'income-tax losses' – a matter which is outside the committee's terms of reference and accordingly is not mentioned in the Report.

Representations that losses should also be available for backward spread, like excess profits tax deficiencies, were not so well received by the Committee. The spread back might involve complicated adjustment of personal allowances in the case of individuals, and this seems to have been the deciding factor for the Committee. In the case of companies, the anomalies arising from adoption of the suggestion would hardly be greater than those already existing. A company is entitled to write off its loss against capital and to distribute subsequent profits as taxed dividends, although, as a result of the income-tax carry forward of the loss, no tax is actually paid on those profits. The Committee recognizes that particular hardship may arise where there is a heavy loss immediately before a business closes down and the Report accordingly recommends the spread back of the loss over the three preceding years.

Losses which have carried forward can be set off only against profits of the same business. Under Section 34 a loss can be set off against other income of the same year. The Committee rejects the suggestion that losses carried forward should in general be available against non-business income, but recommends that Section 34 relief should be extended to the year immediately following the year of loss. The point is made in the Report that it is not always easy to say, as a matter of accountancy, in which of two or more accounting years a particular business loss falls and this fact is regarded as a justification for the above concession.

One minor recommendation is that where the Commissioners have dealt with a claim under Section 34, the dissatisfied party should have the right of appeal to the High Court. At present the Commissioners' decision on this matter is final, so it has not been possible to obtain an authoritative ruling on the claim that Section 34 loss relief should be set off primarily against earned income, thus reducing earned income relief.

The Report recommends also that the concession under which capital allowances can be utilized to create or increase a loss for the purpose of Section 34 relief should be made statutory.

(*d*) Spreading the Income for Sur-tax Purposes

In the higher income groups the steeply graduated rates of sur-tax cause considerable hardship where the taxpayer's earnings fluctuate violently. This is particularly true of many of the professions and of farmers. The Report recognizes this fact and makes a recommendation which will go some

way towards meeting the hardship. The recommendation is shortly as follows. The taxpayer may elect that henceforth his sur-tax is to be adjusted on the basis that his statutory business earned income of the tax year and the preceding four years had accrued evenly over those five years. Sur-tax actually paid in the preceding four years would be set off against the aggregate liability for the five years and the taxpayer would pay the balance. In arriving at the statutory business income, a deduction would be made in respect of any Section 34 loss relief given in respect of the business in question. The Report gives an elaborate computation showing the practical effect of the recommendation. It also points out that a simple provision to assess sur-tax on the average of the income for, say, the five preceding years would not be as attractive in practice, for it would mean the deferment of tax on high profits into a period when the taxpayer's income, and therefore his ability to pay, was low.

As the Report admits, its recommendation does not meet the case of a taxpayer whose earning life is concentrated into a relatively short period. A barrister, for instance, may not earn enough in his first five years or so of practice to absorb his personal allowances and may then experience a brief but hectic period of exceptional earnings which are largely confiscated by income- and sur-tax. The Report says that this is a problem for the Committee on the Taxation Treatment of Provisions for Retirement.

II. Inflation

(*a*) Fixed Assets

When the Committee held public meetings, a good deal of time was devoted to representations that income-tax capital allowances of all kinds were inadequate because they were all based on historical cost which, in many cases, is now but a fraction of the present-day replacement cost. The point was made to the Committee, with varying degrees of emphasis, that in view of the present high rates of taxation, unless depreciation allowances were large enough to take into account the high cost of replacement, traders would be left with insufficient net profit, after taxation, to meet these costs.

The Committee originally felt that this was not strictly a matter of the ascertainment of profit, which in general is concerned only with historical cost, but of fiscal policy. It was, however, asked to give its views on the matter, and in thirty-nine paragraphs sets out some very potent objections to the allowance of reserves for replacement, and to 'revalorization' schemes, i.e. schemes under which depreciation allowances are based not on actual cost, but on a notional value related to the existing cost of replacement.

The Report points out that initial allowances, which equally have no part in the ascertainment of profit as such and are granted largely for policy reasons, go a long way to meeting the difficulties of replacing worn-out assets at enhanced prices and have the added virtue of benefiting those traders who in fact replace old plant, instead of penalizing them. The Report recognizes two things, however. Firstly, the present rate of initial allowances may not go far enough in the case of certain excessive price increases. Secondly, some industries are of such importance to the national economy that re-equipment in them should be encouraged. Accordingly, it recommends that the statutory rates for initial allowance should constitute a minimum subject to an increase in favour of any industry which is able to prove, to the satisfaction of the Treasury, that it is entitled to such an increase on the grounds stated.

(*b*) Stocks

With the continued rise in prices, traders are finding it increasingly expensive to maintain their stocks, and it is perhaps not unnatural for them, when considering income-tax, to overlook the corollary that their stocks are becoming increasingly valuable to them as assets, in other words that they are ploughing back more and more of their profits into the business. As the Committee rightly points out, therefore, the claim made that some allowance should be given in respect of the increasing cost of replacing stock sold is in essence a claim that an application of profit should be treated as a deduction in arriving at that profit. It also points out inferentially that the quicker the turnover in stock, the less the trader will suffer, so that any relief would benefit the more stagnant businesses. Finally, any system of relief would be extremely difficult to work in practice, apart from the fact that it is not only traders who find price increases inconvenient, and the Committee rejects the claim.

III. General Principles of Computing Profit

(*a*) General

The Committee has no fault to find with the general principle of computing income-tax profit as laid down by the House of Lords in *Usher's*

Wiltshire Brewery v. Bruce ([1914] 6 T.C. 399) and subsequent cases.

(i) *Spreading of receipts*. The spreading of profit from long-term contracts and the like is already satisfactorily dealt with, in the Committee's view, by agreement with the tax inspectors concerned, on principles which are generally accepted. Authors and the like who may sell in one year the results of several years' work are already covered by Section 24 of the Finance Act, 1944, while other cases will ordinarily be covered by the proposed spreading of sur-tax.

(ii) *Expenses recovered*. The Report advocates that in all cases where a deduction is allowed for tax purposes but is recovered in a subsequent year, it should be treated as a taxable receipt.

(iii) *Expenses which are not incurred for the purpose of earning profit*. The Report recommends that the principle introduced by the decision in *Strong & Co of Romsey Ltd v. Woodifield* ([1906] 5 T.C. 215) should be abolished. It will be remembered that in that case an innkeeper who had to pay damages to a guest injured by the fall of a chimney was refused a deduction in respect of such damages on the grounds that he bore them not as an innkeeper but as the occupier of property and therefore they were not incurred 'wholly and exclusively for the purposes' of the business. Lord Davey said in that case that, to come within the words quoted, the disbursement must be made 'for the purpose of earning the profits'. This principle has hitherto been applied in some cases but not in others and there seems to be no reason why it should not be dropped altogether.

(iv) *Expenditure which is part business and part private*. The Committee does not recommend any change in the words 'wholly and exclusively' as appearing in Rule 3 (*a*), Cases I and II, Schedule D, although they are not strictly followed. Expenditure which is only partially for business purposes, e.g. the repairs to a car which is used both professionally and privately, is usually apportioned for tax purposes.

(v) *Domestic expenditure*. The Report recommends an amendment of Rule 3 (*c*), Cases I, II, Schedule D, to make it clear that the two-thirds allowance for the rent of shops and the like having living accommodation extends also to rates, heat, light and cleaning of the same premises. It also recommends some expansion or modernization of Rule 3 (*b*) which prohibits the deduction of domestic and personal expenditure. This rule is at variance with, for instance, the practice of allowing the cost of business trips.

(vi) *Expenses incurred but not yet paid*. Rule 3 (*d*) which deals with the

> 'repairs of premises occupied, or for the supply, repairs, or alterations of any implements, utensils or articles employed for the purposes of the trade'

etc. limits deductions to the sums actually expended. In practice, of course, deductions are allowed when the expense is incurred and the Committee recommends the amendment of the rule to accord with this practice.

It would have been interesting to have the Committee's view on the way in which the Revenue interprets the words quoted. Alterations are not in fact allowed, while expenditure on 'supplying' implements etc. is regarded as allowable only if the implements etc. represent replacement, despite the fact that the rule imposes no such qualification. Incidentally, it is not clear precisely what things are meant to fall within the description 'implements, utensils and articles'.

(*b*) Specific Expenses

(i) *Cost of tax appeals*. It is recommended that there should be a statutory right to deduct the expense of an appeal in relation to the net income-tax or profits tax payable on profits, or in relation to a management expenses claim, unless the appeal is concerned mainly with personal allowances.

(ii) *Expenses prior to commencement*. Sometimes a trader incurs expenses before his business is regarded for income-tax purposes as having commenced. Weeks may be spent, for example fitting up a shop, during which rent, rates and the like are accruing. The Committee recommends that expenditure otherwise admissible should not be disallowed because it was incurred before the business began, but should be treated as an expense of the first period of accounts.

(iii) *Legal expenses of a business lease*. The committee recommends the deduction be allowed for the legal and other costs and stamp duties incurred on the acquisition of a lease of business premises, but that it should be spread over the period of the lease.

The spreading seems to be an unnecessary refinement. Usually the amount is not very large and creates no asset since for the most part it will have to be incurred all over again if the lease is sold. The Committee considers that legal expenses on resale of the lease, as far as they are incurred by the seller, should not be allowed but should be treated as reducing the proceeds of sale.

(iv) *Loss on compulsory subscription for foreign*

securities. Traders abroad sometimes suffer what is in effect a disguised tax by being compelled to subscribe for securities which can only be realized at a loss. The Committee recommends the deduction of such a loss, with a corresponding inclusion of any profit.

(v) *Air risk insurance on business trips*. It is recommended that a partner or sole trader paying air insurance premiums on a business trip should be allowed to deduct them in the same way as if they were incurred for an employee, insurance moneys being included in taxable profits if they are payable to the business. The literal wording of the recommendation seems to contemplate that in the case of a sole trader the insurance moneys could be payable to the business as distinct from the trader and his personal representative, a distinction which is a little puzzling.

(vi) *Purchase of land with growing crops*. Out-of-date distinctions between *fructus industriales* and *fructus naturales* can result in hardship to the taxpayer as in the case of *Inland Revenue v. Pilcher* ([1949] 31 T.C. 314; 28 A.T.C. 385) where the taxpayer, having purchased a cherry orchard when the cherries were nearly ripe, was not allowed to set their cost against the proceeds of sale of the crop. The Committee recommends the abolition of this anomaly.

(vii) *Capital expenditure to secure a benefit to an employee*. The Committee recommends that capital expenditure should not be disallowed if in fact it enures to the benefit of an employee, as when his employer purchases a house for him and then has to sell it at a loss. The Committee seems to contemplate that such a loss should be spread backward over the period of the employee's service, which again seems to be an unnecessary refinement. A corresponding charge on the employee under Schedule E, which the Committee hints at, would raise nice problems. It would be a little Gilbertian if he had to pay additional tax because his employers had chosen to incur a loss which the employee himself had not been prepared to risk.

(viii) *Rent forgone – the 'Usher' allowance*. Little less Gilbertian is the *Usher* principle under which a brewer can claim as a deduction the notional rent which he might have charged his tenant but did not. The practical effect is that he secures a deduction of the gross annual value of the licensed premises, including repairs allowance and of the cost of repairs actually incurred. Moreover, gains on some premises are not set off against deductions in respect of other premises. The Committee recommends that rents of tied houses should be included as a business receipt, a deduction being allowed in respect of rent paid without deduction of tax, and also of the amount on which Schedule A tax is borne by the brewer. This second deduction will normally be the net Schedule A assessment. Where, however, the rent received from the tenant is less than the net Schedule A assessment, the tenant will have been able to deduct tax on the rent only, in which case it will be this rent which will be deducted in arriving at the brewer's profit, i.e. the rent which has already been included as a business receipt.

(ix) *Disposal of an unwanted lease*. Where business premises held under a lease are no longer required, the lessee may rid himself of the liability to pay rent either by selling the lease or by inducing the lessor to accept a lump sum in consideration of cancelling the lease. In the Committee's view such a sum, spread over the remainder of the term of the lease, should be deductible but that any loss on sale of the lease should continue to be disallowed as being capital. It would follow almost of course that the lessor would have to be charged to tax in respect of such a payment. The Committee does not deal with the perhaps purely hypothetical case of the lessee paying a lump sum to a third party, to induce him to take over the lease. This also would seem to merit allowance.

(*c*) MISCELLANEOUS

The Report does not recommend any change in the present law and practice relating to (i) fines and penalties, (ii) preliminary and annual expenses of a company unconnected with its business, (iii) losses on loans and guarantees, (iv) surface damage by mining concerns, (v) repairs of assets purchased in a defective condition (the *Law Shipping* principle), or (vi) charitable subscriptions.

IV. Depreciation and Wasting Assets

(*a*) GENERAL

The Report reviews the somewhat haphazard way in which depreciation allowances have been introduced into the income-tax code in relation to particular kinds of assets. These allowances reflect the gradual development of income-tax from its original conception as a transitory tax levied on actual money income to a permanent tax which contemplates the spreading of allowances over as much as fifty years, but there is still a wide range of assets which do not qualify

for any allowances. The Committee came to the conclusion that it could not resist the claim that the income-tax system should give relief in respect of wastage of all assets which are used up or consumed in the course of carrying on the business, and further that such a claim is not inconsistent with the view that income-tax is a tax on income as long as the wastage in question is defined to exclude loss in value through circumstances wholly unconnected with the business. The Committee admits that this distinction is difficult to make in practice and indeed is not applied to plant and machinery, which may qualify for allowances on account of obsolescence through changes in fashion. The Committee specifically excludes two kinds of assets, namely goodwill and the site value of land, as not being subject to wastage, but we are not sure that this is in all cases justified. A person buying a business, all of whose customers are employed at a nearby mine which will soon be worked out, may pay handsomely for a goodwill which has to be written off year by year in the same way as a monopoly value payment, for which the Committee does recommend an allowance. If he has to buy the site of the business, this too will involve him in loss when the mine is closed down and the local population departs.

(*b*) Non-industrial Buildings

There is little doubt that the first granting of allowances in respect of so-called industrial buildings was rather a matter of economic policy than a recognition of the fact that some allowance for depreciation must be made if the true profit of a concern is to be ascertained. The Committee advocates an annual allowance for commercial buildings either at a rate of $1\frac{1}{3}$ per cent, representing a life of 75 years, or if that rate presents practical difficulties, at 2 per cent. It recognizes the additional work which the recommendation would cause but is 'convinced that a tax which refuses to give an allowance for the depreciation of all business premises is not limiting itself to a tax on income, but is encroaching on capital'. The Committee does not accept a suggestion that the allowance should extend to residential property owned by a property-owning company or occupied by the employees of a trading concern. It points out that such an allowance would be unfair to other owners of property unless it were extended to all Schedule A property, a matter which is outside the committee's terms of reference.

The proposed allowance would extend to alterations and improvements, as when a lessee installs a new shop front at his own expense.

(*c*) Cost of construction or cost to the taxpayer

The general principle enunciated by the Committee and referred to in (*a*) above postulates the calculation of allowances on commercial buildings by reference to the cost to the taxpayer concerned, whether he himself built, or bought a completed building. The present industrial buildings allowances are however based on first cost and in view of the fact that at present the profits made on the resale of buildings are not normally taxable the Committee recommends that the same system be applied to non-industrial commercial buildings.

(*d*) Leases

The refusal of any allowance to traders in respect of premiums paid for leases of business premises is an anomaly which has survived so long only because of the difficulties in the way of taxing the lessors in respect of such premiums. To allow the premiums to the payer without taxing them in the hands of the recipient would be too costly for the State; indeed, such a system might well result in the complete disappearance of mere rent for business premises.

The Committee rightly considers that these difficulties should no longer be allowed to stand in the way of a much-needed reform, even though it can be argued that the trader pays the premium with his eyes open and probably pays much less than he would if the lessor suffered tax. The taxation of the lessor is in any case outside the Committee's terms of reference.

Accordingly, it is the Committee's view that the cost of a leasehold interest should be written off over its life, subject to a balancing charge on a sale of the interest.

The Committee does not, however, recommend a balancing allowance where the proceeds of sale are less than the written-down value. The grounds for this distinction are that a loss on sale is due not to the use of the property for business purposes but to a change in value of the property unconnected with the business. We fear that this subtlety will not commend itself to most taxpayers.

(*e*) Mines, Oil Wells, etc.

(i) *Minerals in the United Kingdom.* One particularly striking injustice which was put to the Committee was the case of a concern which bought land in the United Kingdom for the purpose of extracting gravel from it. Shorn of

its gravel, the land became worthless but this 'capital' loss was not allowed to be set off against the receipts from the sale of gravel. The Committee expresses the view that profits of a concern of this kind cannot be properly computed without a proper allowance for the depletion of minerals, although it recognizes that difficulties arise from the present immunity from tax of the person who sells the gravel-bearing land in the first place.

(ii) *Foreign minerals.* Although an allowance is already given for the depletion of minerals outside the United Kingdom, it is restricted to the cost of the mineral rights to the first United Kingdom owner of them, on the grounds that any profit on resale by that first owner, as a capital profit, escapes tax.

Here again the Committee considers that the operating company's profit is not properly computed unless the allowance is based on the full amount which it has expended on the acquisition of the minerals.

(iii) *Other depreciation affecting foreign mining concerns.* The Committee makes a number of other recommendations directed to relieving companies operating abroad in respect of abortive exploration expenditure and capital expenditure which becomes valueless on the termination of the operations.

(*f*) Other Assets and Capital Expenditure

(i) *Lump sum payments for the use of an asset.* The Committee favours an allowance in respect of payments analogous to premiums for a lease, for example a lump sum paid to a landowner in return for the right to dump waste products on the land over a number of years. Here again the corollary of taxing the recipient arises but is outside the Committee's terms of reference.

(ii) *Monopoly value payments.* No allowance is at present made in respect of monopoly value payments which may be made for a period as little as three years, payable in annual instalments.

Notwithstanding the probability that this fact is taken into account when the amount of such a payment is fixed, the committee recommends a writing-off allowance of such an amount as the Commissioners think just and reasonable. The same applies to lump sum insurance premiums to cover a specific period.

(iii) *Enduring advantage.* Where a payment is treated as capital expenditure on the grounds that it creates an advantage for the benefit of the business under the principle established in *Atherton v. British Insulated and Helsby Cables Ltd* ([1926] 10 T.C. at p. 192) the Committee recommends that if the advantage is of limited duration it should be written off in the manner described in (ii) above.

(iv) *Abortive capital expenditure.* The Committee recommends that Rule 3 (*a*) which requires expenditure to be wholly and exclusively for the purpose of the business should be amended to make it clear that the maintenance and development of the business is within this requirement. It recommends further that all 'capital' expenditure which proves to be abortive and which therefore does not create a capital asset should be allowable as an expense in the year in which it is incurred.

(*g*) Miscellaneous

The Committee makes a number of minor recommendations on the subject of depreciation of assets. These include depreciation allowances for land used by cemeteries and crematoria, the treatment of the Mersey Tunnel as an industrial building, allowances for the cost of cuttings, tunnels and dredging when these become valueless, the writing-off of the cost of non-mineral concessions abroad, industrial building allowances for pastoral companies operating abroad (incidentally these companies could well be granted the relief for expenditure now given in respect of United Kingdom agriculture), higher rate of depreciation for unsubstantial tropical buildings, and balancing allowances in respect of assets stolen or expropriated. It is further recommended that where demolition costs exceed the scrap value of an asset, the excess should be added to any balancing allowance, and that when a lessee pays for dilapidations of business premises relating to a period when he was not in occupation of them, he should be allowed to add them to his balancing allowance.

V. Stock Valuations

The Committee mentions that the Inland Revenue has decided not to appeal against the decision in *Inland Revenue v. Cock Russell & Co Ltd* ([1949] 2 All E.R. 889) and does not now object to stock valuations made on a 'pick and choose' basis as opposed to a 'global' valuation. It adds the view that the advantages of leaving things as they are are overwhelming and therefore makes no recommendation of any change in the present stock valuation law or practice.

VI. Groups of Companies

The Committee sets out the practical difficulties of extending to income-tax the principles of

'group treatment' which can now be claimed for profits tax. It makes three significant recommendations, however, as follows: (i) If one company in a group agrees to make a payment out of, but not exceeding, its profit (after capital allowances) to another company in the group which has incurred a loss (after capital allowances), any payment made under such an agreement should be treated for income-tax purposes as a business expense incurred by the payer and a business receipt of the recipient. Both companies must, of course, be resident in the United Kingdom.

(ii) Where the payer is a holding company, the payment should be treated as an expense of management.

(iii) A company may value stock, which it has bought from a fellow-member of a group, at the cost to that fellow-member, i.e. that tax should not be paid on what is really a notional profit.

The Committee considers that group treatment of this kind should apply only where the parent controls at least 90 per cent of the ordinary share capital of the subsidiary.

VII. Miscellaneous (Income Tax)

Two recommendations of interest to investment companies are that a property-owning company should be assessed on the footing that it carries on a trade chargeable under Case I and that companies making management expenses claims should be entitled to carry forward unrelieved management expenses in the same way as a loss. In the case of property-owning companies, the present system is highly complicated owing to the fact that their income falls under two main heads of charge, Schedule A and Case VI of Schedule D. Schedule A assessments would remain but any tax paid on them would be allowed as a credit against the Case I liability. The Committee does not advocate Case I treatment in the case of 'one man' companies, on account of the possibility of evasion.

(i) *Companies managed in United Kingdom but operating abroad.* The Report contains no recommendation dealing with the liability of a company controlled in the United Kingdom but operating abroad, or with the difficulties faced by such companies in paying British tax out of blocked currencies. The Committee feels that these are matters for the Royal Commission.

(ii) *Co-operative societies.* The Committee rejects the representation that the 'dividend' paid by co-operative societies should be disallowed, observing that the so-called dividend is really only a trade discount to customers.

(iii) *Mining finance companies.* It also rejects the claim that mining finance companies, which sell rights in return for shares, should not pay tax on those shares until they are sold for cash. A claim that no tax should be charged on the profit arising from the exchange of the shares for other shares is also rejected.

(iv) *Opening an additional shop.* The Report deals with the alleged hardship which arises when the owner of a number of shops takes over an additional one. Where the addition represents a succession to an existing business, the 'commencing' provisions are applied to the profits of that shop, instead of their being assessed on the preceding year's basis. The Committee prefers to leave the existing law undisturbed.

(v) *Nationalized industries.* Certain nationalized industries represented that charges made by them to revenue account to provide for compulsory redemption of capital ought to be deductible for tax purposes. However, the Committee considered that the specific provision in each of the nationalization Acts for the taxing of the bodies thereby set up showed that such a change in tax law would be against declared policy.

Minor recommendations under the heading of 'Miscellaneous' were:

(i) That if relief from double taxation is inadequate because capital allowances are given on different bases in this country and abroad, the taxpayer should be entitled to postpone the United Kingdom allowances in order to correct this anomaly.

(ii) That where the income of the annuity fund of a life insurance company exceeds the annuities payable, such part of the excess as consists of income reserved for potential annuitants under an approved superannuation fund should be exempted, in the same way as the income of an approved fund.

(iii) That patent royalties paid without deduction because of a double tax agreement, to the extent that they exceed the profit, should be carried forward as a loss. This is already done in practice and requires statutory sanction.

VIII. Profits Tax

Alterations in income-tax principles will in general apply automatically to profits tax and therefore the Report contains few recommendations relating specifically to that tax.

(i) *Directors' remuneration.* The main recommendations is for an increase in the maximum deduction for directors' remuneration in director-

controlled companies. The proposed increase would apply when there was more than one full-time working director, in that the present £2,500 per annum would be stepped up by an additional £2,500 for each such director. Presumably the remuneration of whole-time service directors would continue to be allowed in full, so that the scheme would be similar to the old working-proprietor standard for excess profits tax, except that remuneration of full-time directors would not be allowed unless charged in the accounts.

(ii) *Patent royalties to a foreign parent company.* Patent royalties paid by a company resident in the United Kingdom to another company in the same group are not admissible in computing the payer's profit for profits tax purposes. On the other hand, some double taxation conventions exempt from profits tax royalties paid to a resident of the foreign country concerned. To give effect to the convention the subsidiary company receives the appropriate remission of tax. The Committee recommends that this concession be made statutory.

(iii) *Distributions out of franked investment income from abroad.* When a company receives investment income from an overseas company out of profits which have been subject to British profits tax, in whole or in part, the appropriate proportion of the investment income is treated as franked investment income in the hands of the British company and is accordingly excluded from its profit. This proportion of investment income also comes into the calculation of the British company's non-distribution relief or distribution charge, and in that connexion, the greater the amount of franked investment income, the smaller is the charge for profits tax on the company. Now the 'franked' portion of the overseas investment income may be relieved from income-tax in the British company's hands, pursuant to Section 31 of the Finance Act, 1946. It thus becomes, as it were, a 'free-of-tax' dividend, and the companies concerned contended that it should be grossed up at the standard rate of income-tax for the purpose of calculating the non-distribution relief or distribution charge. The Committee recommends the adoption of this contention. It would seem to follow logically that the grossing-up should also take place for the purpose of calculating what, if any, abatement is due, but this point is not mentioned in the Report.

(iv) *Preference dividends.* Where a company has preference capital, that is, preferred as to dividend, it is a truism that the ordinary shareholders are compelled to look for their dividend to the net fund of profit remaining after the payment of preference dividend. As profits tax is at present constituted, the payment of a preference dividend brings about indirectly a further reduction in this net fund of profit in the following year, in that the payment increases the 'distributions' and therefore the profits tax liability. One way of meeting the ordinary shareholders' grievance on this point is to permit the company to deduct from preference dividends an appropriate amount of profits tax, but such a solution presents practical difficulties. At any rate, it does not seem to have been put forward. The suggestion which was made was to permit the deduction of preference dividends in arriving at profit for profits tax purposes, in which case it would follow that a preference dividend was not a 'distribution'; alternatively, that a preference dividend be specifically excluded from the definition of distribution. The Committee considers that both these suggestions are outside its terms of reference and accordingly leaves them to the Royal Commission.

(v) *Investment companies.* It is one of the basic principles of profits tax that all investment income, other than franked investment income, is taxable if received by a company but not when received by an individual direct. Normally, the remedy is open to the individual members of the company to liquidate it, but it was put to the Committee that an exception should be made in favour of a company which had sold an undertaking carried on abroad in return for annual payments or dividends, which in due course it passed on to its individual members in the form of dividends. However, the Committee rejects this suggestion.

(vi) *Life assurance companies – capital redemption funds.* Another rejected suggestion is one which was made by the life offices that in the case of capital redemption business there should be some modification of the principle of grossing up the whole of the net investment income of reserve funds for the purposes of profits tax.

IX. Implementation

The CHANCELLOR OF THE EXCHEQUER stated in his Budget speech that he had not been able to study the recommendations in detail and that he must in any event await the reactions of industry and commerce before coming to a final conclusion. Any question of legislation would therefore have to wait till next year.

SUMMARY OF POSITIVE RECOMMENDATIONS

Chapter X of the Report sets out in summarized form the positive recommendations of the Committee, and these are reproduced below. The last five items are subject to alterations in the law dealing with the taxability of the recipient of the payments in question, alterations which, as stated above, are outside the Committee's terms of reference.

A. Recommendations

Basis of Assessment

Partnerships

(*a*) The present basis of allocation (namely, by reference to the partners' allocation in the year of assessment) to be preserved.

(*b*) On a change in the constitution of a partnership the cessation and commencement provisions to be applied unless all those who were members of the partnership both before and after the change elect that the assessments should continue to be made on the normal preceding year basis. (Where the change arises by reason of the death of a partner, the surviving partners should be entitled to exercise the option without being required to secure the agreement of the deceased's personal representatives.)

(*c*) Whether or not the cessation provisions apply on a change in partnership, the continuing partners should be entitled to carry forward their share of any loss or capital allowances for which relief has not already been given.

(*d*) Where there is a change in the basis of allocation of profits among the partners the cessation provisions should apply if, and only if, there is a formal dissolution in writing of the partnership followed by the creation of a new partnership, and notice in writing is given to the Inland Revenue within a specified period.

(*e*) Any additional liability arising from the application of the cessation provisions, either on the coming to an end of the business, or under sub-paragraphs (*b*) or (*d*) above, should be enforceable on the persons who were members of the partnership during the relevant years, notwithstanding that in these years there may have been another change in partnership in relation to which the cessation provisions were not applicable.

Losses

(*a*) Business losses should be carried forward without time limit.

(*b*) The owner of a business should be entitled to claim that a loss incurred in the last year of the business should be carried back and set against assessments on the business for the three preceding years.

(*c*) A business loss should be able to be carried forward and set against non-business profits for the following income-tax year.

(*d*) There should be a right of appeal to the Courts on points of law arising in connexion with claims under Section 34 of the Income Tax Act, 1918.

(*e*) The administrative concession under which wear and tear and other capital allowances are allowed to augment or create a business loss for purposes of relief under Section 34 of the Income Tax Act, 1918, should be legalized.

Spreading for sur-tax

Sur-tax on fluctuating incomes should be spread at the taxpayer's option by averaging the rate over a five-year period.

Inflation

A minimum rate of initial allowance should be prescribed; any association which represents a particular industry should be entitled to apply for a higher rate by reference to the price level of the plant or machinery in question and the importance of the industry to the national economy.

Basis of Computation (General)

(*a*) Recoveries etc. of sums previously debited should be treated as business receipts.

(*b*) Rule 3 (*a*) of Cases I and II should be qualified so as to nullify the test propounded by Lord Davey in *Strong & Co of Romsey Ltd v. Woodifield.*

(*c*) Rule 3 (*c*) of Cases I and II should expressly allow a deduction for part of the rates and other expenses of a house used partly for business purposes.

(*d*) Rule 3 (*d*) should be amended so as to refer to liability incurred.

(*e*) The cost of tax appeals should be deductible.

(*f*) Revenue expenditure incurred before business begins should be allowed in the first accounting period.

(*g*) Legal costs etc. on the acquisition of a lease should be allowed over the period of the lease.

(*h*) A profit or loss on the sale of overseas securities compulsorily acquired should be treated as a receipt or expense of the business.

(*i*) Premiums on insurance policies against air risks should be allowed.

(*j*) On a sale of land bearing fruit, the profits of the vendor and purchaser should be computed by taking into account the value of the crop at the date of sale.

(*k*) An expense or loss incurred in providing benefits for employees should be deductible.

(*l*) Where the activities of a business include the letting of property, rents received should be treated as a business receipt, deductions being given for the amount on which tax has been suffered and for any rent paid, other than rent from which tax is deducted.

Depreciation and Wasting Assets

Non-industrial buildings

Depreciation allowances should be given for commercial buildings.

Leasehold property

A writing-off allowance should be given for premiums etc. on leases where both the property and the lessor or transferor are abroad.

Mines, oilwells, etc.

(*a*) Depreciation allowances should be given for land which has to be surrendered on the expiry of a mining concession.

(*b*) Abortive exploration expenditure should be allowed if incurred in searching for a mineral which the company is already working.

(*c*) Contributions to public services in undeveloped countries should qualify for depreciation allowances.

(*d*) Allowance should be made for depreciation in value of the sites of works near mines abroad.

(*e*) On the exhaustion of a mine, or the coming to an end of a concession, an allowance should be given for any depreciation in value of a sports ground made for employees at the mine.

(*f*) Depreciation allowances should be given for exploration plant where the remaining exploration expenditure qualifies for allowance.

(*g*) Allowances for depreciation of offices and workers' dwellings at mines should be given on the output formula (Part III of the Income Tax Act, 1945).

Other assets and capital expenditure

(*a*) Payments for the hire or use of another person's asset should be written off where (i) the recipient is liable to tax on the payments or (ii) both the asset and the recipient are abroad.

(*b*) Payments made to acquire an asset of limited life should be written off by means of allowances of such amount as the Commissioners think just and reasonable, in cases where the matter is not complicated by any consideration of the tax position of the recipient of the sum.

(*c*) Payments which do not produce a capital asset, but which result in an advantage of limited duration, should be written off by means of allowances of such amount as the Commissioners think just and reasonable.

(*d*) It should be made clear that Rule 3 (*a*) applies to the maintenance and development of a business.

(*e*) Abortive expenditure should be deducted as an expense of the year for which it is incurred.

Miscellaneous

(*a*) Depreciation allowances should be given for land used by cemeteries and crematoria.

(*b*) The Mersey Tunnel should get industrial buildings allowances.

(*c*) Expenditure on cutting and tunnelling should be allowed if and when it can be shown that it has ceased to be of value.

(*d*) The cost of acquiring non-mineral concessions abroad should be written off over the period of the concession.

(*e*) Industrial buildings allowances should be extended to pastoral companies abroad.

(*f*) Depreciation allowances should be given for development charge only if it is for a limited period.

(*g*) A higher rate of depreciation allowance should be given on overseas buildings of a comparatively unsubstantial character.

(*h*) Balancing charges and allowances should be made where property is expropriated or stolen.

(*i*) Allowances for overtime working of plant and machinery should depend on the facts in the basis period.

(*j*) Expenditure on dredging should qualify for balancing allowances if and when it can be shown that the expenditure has become valueless.

(*k*) If the costs of demolishing an asset exceed the scrap proceeds the excess should be taken into account in computing a balancing allowance or charge.

(*l*) Expenditure on dilapidations, or payments in lieu thereof, if not deductible should be taken into account in computing a balancing allowance to the lessee.

Groups of Companies

(*a*) If a company agrees to reimburse a loss incurred by another company in the same group, any payment made under the agreement should be taken into account in computing the liability both of the payer and the recipient.

(*b*) A company which is a member of a group should be entitled to value goods purchased from another member at the cost to that other member.

Miscellaneous (Income Tax)

(*a*) Property-owning companies in which the public are substantially interested should be assessed under Case I of Schedule D, the existing Schedule A assessments being retained.

(*b*) Companies within Section 33 of the Income Tax Act, 1918, should be able to carry forward unrelieved management expenses in the same way as a trading company can carry forward a loss.

(*c*) If relief from double taxation is inadequate because capital allowances are given on different bases in this country and abroad, the taxpayer should be entitled to claim to postpone the whole or part of the allowances until a later year.

(*d*) Legal sanction should be given to the administrative concession under which patent royalties which are paid without deduction of tax because of a double tax agreement are allowed to be carried forward as though they were a loss to the extent that they exceed the profits.

(*e*) A life assurance company should in certain circumstances be given a measure of relief on the investment income of that part of its annuity fund which relates to business done with superannuation funds approved under Section 32 of the Finance Act, 1921.

Profits Tax

(*a*) In the case of a director-controlled company, the allowance for directors' remuneration should be increased in proportion to the number of full-time working directors.

(*b*) Legal sanction should be given to the administrative concession under which patent royalties are allowed as an expense in computing profits where they are paid to a person abroad and income-tax is not deducted by reason of a double taxation convention.

(*c*) Where a company receives foreign income which is relieved from United Kingdom income-tax under Section 31 of the Finance Act, 1946, that income should be grossed up in computing the company's franked investment income.

B. Views on Matters which cannot be considered in Isolation

BASIS OF COMPUTATION (GENERAL)

A writing-off allowance should be given to a lessee for a payment made to a lessor for cancelling a lease of business premises.

DEPRECIATION AND WASTING ASSETS

(*a*) A writing-off allowance should be given on premiums paid for a lease of business premises and on the purchase price of a lease of such premises.

(*b*) A depletion allowance should be given for United Kingdom minerals.

(*c*) The depletion allowance for overseas minerals should be computed on the cost to the owner of the business.

(*d*) Payments for the hire or use of another person's asset should be written off.

WEEKLY NOTES

The National Income*

The White Paper on the National Income for 1950 was published this week (Cmd. 8203, price 1*s* 9*d*). The value of the national product last year is estimated to have been £11,970 million – an increase of 4½ per cent over 1949. The division of the national income as between wages, salaries and profits was very similar to the year before. Forty per cent went in wages; 22½ per cent in salaries; 15 per cent in company profits of companies; 7½ per cent in small traders' profits; 4½ per cent in rent; the rest was divided among other types of income.

The wages bill increased by 5½ per cent on the year, distributed profits by 3 per cent and undistributed profits by 15 per cent. Taxes accounted for 27 per cent of personal incomes (1 per cent less than in 1949) and 53 per cent of taxation was direct and 47 per cent indirect.

Investment resources were found from the following, comparing last year with the one before:

	Of every £100	
	1949	1950
	£	£
Sums which businesses were allowed to set aside for depreciation and maintenance	40	41
Undistributed profits of companies and public enterprises (after tax) ..	21	15
Total set aside through public authorities	24	31
Personal savings	15	13
	£100	£100

The national income statistics will be dealt with more fully in a leading article in a later issue.

United Kingdom Trade by Regions

The balance of payments position analysed by regions is contained in the annual White Paper on the Balance of Payments issued last week. This country's external surplus of £229 million is seen to have been due to the large favourable balance on invisible items, totalling £382 million, which more than offset a deficit of £153 million on visible items. The visible deficit was identical in 1950 with that for the year before.

There is now evidence of a steady trend from a negative to a positive balance with most of the trade regions of the world even with the dollar area so far as 'invisibles' are concerned. In short, the traditional role of the invisible income of the United Kingdom of redressing a deficit in the visible items is once more beginning to assert itself as a long-term phenomenon.

The position with visible trade is rather more complicated and less satisfactory. Only two areas took more than they received in terms of payment last year. These were the sterling area and O.E.E.C. countries and the surplus with the sterling area was heavily down on 1949. On the other hand there was a noticeable drop in the deficit with the dollar area although a deficit remained. With the rest of the world not accounted for in these three categories there was also a deficit.

Hosiery and Knitwear Report

The fact that two members of the profession, Mr H. Kennewell, F.C.A., director of the National Hosiery Manufacturers' Federation, Leicester (leader), and Mr W. W. Noakes, A.C.A., director and secretary of N. Corah & Sons Ltd, Leicester, were included in the Hosiery and Knitwear team which visited the United States last year under the auspices of the Anglo-American Council on Productivity, lends interest to the observations on costing and management contained in its report issued this week.[1] The adoption of a standard costs system, provided that management uses the information so obtained to increase production, is strongly recommended. This system seems to have been accepted throughout the industry in America with singularly successful

[1] The Hosiery and Knitwear Productivity Team Report from the Anglo-American Council on Productivity, 21 Tothill Street, London, SW1. Price 3*s* post free.

results. The team considers that every effort should be made in this country to overcome the view often held by top management that the installation and running of standard costs would be too expensive and too troublesome for what is regarded as a non-productive function. Other aspects of American efficiency, praised by this as by other teams, are the 'cost-consciousness' at all management levels, the spirit of co-operation between production and accounting staffs, and the intensive mechanization of records resulting in quicker and more effective statistical information.

A further productivity team, representing the British furniture trade, departed on April 7th to visit the main furniture manufacturing centres in the United States. A member of this team is Mr N. P. Smith, A.A.C.C.A., director and secretary-accountant of F. Leach Productions Ltd, of Stockport.

World Gold Output

World gold production was slightly higher last year than in 1949 but still considerably lower than before the war. The actual figures were 26 million fine ounces in 1950 and 25·5 million in 1949. These figures and a commentary on their significance is given in the annual bullion review of Samuel Montagu & Co. The total includes a figure for Russia which is nominal.

Features of the components of the world total were the fall-off in South African and Australian output and the spurt put on by Canada and the United States.

The review points out that adherence by this country to the International Monetary Fund's wishes to control gold prices has barred London from participating in the world's free gold market, but that the London bullion market still offers valuable depot facilities for foreign dealers.

FINANCE AND COMMERCE

Now that the Budget is known, stock markets have at least been freed from some future anxiety. The raw material situation must now become the markets' main preoccupation.

Associated Paper

This week's reprint gives the accounts of the Associated Paper Mills Ltd, whose chairman is Mr L. W. Farrow, F.C.A., of Messrs Farrow, Bersey, Gain, Vincent & Co, chartered accountants. Mr Farrow says in his statement that further endeavour has been made to simplify and improve the accounts. The profit and loss account of the parent company has been omitted because it is the results of the Group as a whole, he emphasizes, that are material. The layout of the balance sheets has also been altered and consequential adjustments made in the comparative figures.

As will be seen from the reprint, the detail of the fixed assets has been removed to a separate series of notes. In this case, it is not a question of lack of space in the balance sheet itself. There is ample room in the original accounts – set across a double quarto opening – for the inclusion of the detail. It is evident, therefore, that the directors had chiefly in mind the presentation of a concise view. The detail is given in the reprint, but only for the consolidated balance sheet in order to save space.

Rather Odd ?

The accounts of John Dickinson & Co Ltd, the paper-makers, were dropped in front of us with the comment: 'Don't you think that is rather odd?' We had to admit to the same feeling. Here is a company which opens the credit side of its profit and loss account with an entry of £3,139,119 for the 'Balance of trading profit for the year' and then proceeds to itemize 'Interest on Exchequer Stock, less income-tax, £11,000', 'Interest on National War Bonds, less income-tax, £6,875', 'Interest on Canadian Government Securities, £461', 'Interest on debenture stock purchased for redemption, less income-tax, £33', 'Interest on bank deposits, £5,423', and 'Interest on Tax Reserve Certificates £14,250'.

Certainly the sources from which these separate items of interest are derived are shown separately under the heading of Current Assets in the balance sheet and the income can thus be linked with the capital. Nevertheless, it does seem rather curious that a £12 million group should reduce the result of its trading to one single figure and then proceed to expand on the separate sources from which it obtained, by comparison, very minor amounts of interest.

No Table

In days past, tutors in company and mercantile law would recommend their pupils to spend some time in the courts of justice to see and hear the law in practice. They may still do so and we can assure readers, and especially the younger generation, that the advice is well worth following. Company meetings, especially where controversial matters are involved, also have something to offer in the way of practical experience, although the arena has not the open-for-all publicity of the courts of law.

One interesting point arose at a recent meeting concerning the right to inspect the register of shareholders. A shareholder was describing to his fellow members how, wanting to know something about the position of shareholdings in the company and with a possible view to establishing contact with other shareholders, he visited the company's office and paid his shilling.

The bulky register, he said, was placed in his arms. There was nowhere to lay it down except on a chair. Inquiring about a table, he was informed that a table was not provided for in the Act. If this sounds like a lecturer's favourite joke, we can assure readers that it happened at the meeting of a public company which has been much in the news.

THE ASSOCIATED PAPER MILLS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet, September 30th, 1950

Incorporating the Audited Balance Sheets of the Company and its Subsidiaries, after eliminating the Inter-Company Shareholdings and Debts and after giving effect to the appropriations recommended by the Directors of the Several Companies

October 1st, 1949 £	October 1st, 1949 £		£	£
		The Associated Paper Mills Ltd:		
		Share Capital (see page 6):		
		Authorized	1,000,000	
835,997		Issued		835,997
		Capital Reserves:		
	2,951	E.P.T. Post-war refund Suspense Account (Expended) ..	2,951	
	61,625	Share Premium Account after charging Debenture Issue expenses amounting to £105	61,520	
64,576				64,471
		Revenue Reserves and Surplus:		
	125,000	General Reserve	150,000	
	180,000	Contingencies Reserve	230,000	
	30,094	Profit and Loss Accounts (after providing for appropriations recommended by the Directors)	31,070	
335,094				411,070
1,235,667		TOTAL CAPITAL AND RESERVES		1,311,538
		Future Taxation:		
	91,130	Income Tax, 1950–51 (one-half) and 1951–52	122,985	
	5,677	Income Tax on Initial Allowances on Plant Purchased ..	20,742	
96,807				143,727
		Debenture Stock and Bonds:		
	245,269	The Associated Paper Mills Ltd	240,547	
	9,076	*Subsidiary Company (including interest accrued)*	—	
254,345				240,547
		CURRENT LIABILITIES		
	190,670	Creditors and Accrued Charges	219,445	
	68,234	Income Tax	59,305	
	50,524	Excess Profits Tax and Profits Tax	74,924	
	309,428		353,674	
	36,239	Dividends paid since September 30th, 1950, or recommended to Annual General Meeting for payment to Shareholders of The Associated Paper Mills Ltd (net)	46,414	
345,667				400,088
£1,932,486				£2,095,900

October 1st, 1949 £	October 1st, 1949 £	£		£	£	£
			FIXED ASSETS			
693,463			Freehold Land, Plant, Buildings, etc., as shown in Note 1 on page 11 ..			714,926
			CURRENT ASSETS			
	4,076		Endowment Assurance Policies, Premiums paid		4,390	
	265,312		Stocks on hand		440,700	
		356,108	Debtors, Bills Receivable and Payments in advance	455,459		
		5,780	*Less* Reserves for Bad Debts	6,176		
	350,328				449,283	
		14,000	Government Securities at cost (unquoted)	14,000		
		186,050	Tax Reserve Certificates	113,150		
		210,985	Cash at Bank and in hand	145,903		
	411,035				273,053	
1,030,751			TOTAL CURRENT ASSETS			1,167,426
208,272			**Goodwill Accounts,** and Difference between the Values at which Inter-Company holdings of Shares are taken as assets into the Balance Sheet and their Par Values as shown in Note 6 on page 11			213,548
£1,932,486						£2,095,900

Signed on behalf of the Board,
JOHN G. KIPLING,
BARRINGTON C. GAIN } *Directors.*

THE ASSOCIATED PAPER MILLS LTD, AND SUBSIDIARY COMPANIES – Notes on Consolidated Balance Sheet

1. Fixed Assets.

October 1st, 1949 Cost or Valuation £	October 1st, 1949 Depreciation £	October 1st, 1949 Net £		September 30th, 1950 Cost or Valuation £	September 30th, 1950 Depreciation £	September 30th, 1950 Net £
357,066	60,399	296,667	Freehold and Leasehold Land, Buildings and Water Rights, at cost, or at the Net Book Amount at October 4th, 1947, or as per Valuation in January 1933, plus additions, at cost, or as valued by the Directors at September 30th, 1950	381,391	63,866	317,525
895,008	510,160	384,848	Plant and Machinery, at cost, or at the Net Book Amount as at October 4th, 1947, or as per Valuation in January 1933, plus additions at cost (including Loose Tools £2,200)	912,769	533,104	379,665
17,006	7,301	9,705	Motor Vehicles, Locomotives and Railway Wagons, at cost	25,404	8,946	16,458
4,566	3,224	1,342	Canteens Equipment, at cost	4,566	4,523	43
1,129	228	901	Office Furniture at the Net Book Amount on October 4th, 1947, plus additions at cost, less Sales	1,557	322	1,235
£1,274,775	£581,312	£693,463		£1,325,687	£610,761	£714,926

2. **Capital Commitments.** Outstanding Contracts for Capital Expenditure amount to approximately £91,000 (*1949 £144,000*).
3. A First Debenture for £75,000 and Second Debentures for £29,000 have been redeemed and are held available for re-issue by a Subsidiary Company.
4. There are in existence Bonds for £29,000 (*1949 £20,000*) granted in 1927 and in 1937 held by a nominee of a Subsidiary Company constituting a charge on that Company's heritable property. The amount at which the Bonds are stated in the books of the Subsidiary Company is nil.
5. Cash, amounting to £252 7s 4d (*1949 £463 1s 3d*) is in the custody of a Subsidiary Company as Trustee for Dissenting Shareholders under Section 209 of the Companies Act, 1948.
6. **Goodwill.**

October 1st, 1949 £	October 1st, 1949 £		September 30th, 1950 £	September 30th, 1950 £
		Excess of Cost of Shares of three Subsidiary Companies over		
	314,918	Book Values of Net Assets	314,918	
	27,000	*Less* Amounts written off since acquisition	29,000	
287,918				285,918
13,050		*Less* Excess of Book Values of Net Assets over Cost of Shares of three Subsidiary Companies		13,050
274,868				272,868
	66,596	*Deduct* Reserves and Undistributed Profits of Subsidiary Companies existing at date of acquisitions	66,596	
	—	*Less* Excess of Book Value of Plant and Machinery of one Subsidiary over Estimated Realizable Value	7,276	
66,596				59,320
£208,272				£213,548

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF THE ASSOCIATED PAPER MILLS LIMITED
and SUBSIDIARY COMPANIES for the Year ended September 30th, 1950
After eliminating Inter-Company Dividends and Interest and giving effect to the appropriations recommended by the Directors of the Several Companies

October 1st, 1949 £	£				£
8,500		Directors' Fees (see note below)			7,696
1,042		Audit Fees and Expenses			1,017
9,256		Head Office Salaries and Expenses, Legal Charges, etc.			9,534
10,586		Interest on Bonds and Debenture Stock (Gross)			8,723
99,385		Balance, being Profit subject to taxation, for the year to September 30th, 1950, carried down			306,023
£128,769					£332,993
£					£
2,000		Amount written off Goodwill			2,000
—		Transfer to General Reserve			25,000
see per contra		Transfer to Contingencies Reserve			50,000
2,000					77,000
3,773		*Premium on Redemption of Debenture Stock* ..			—
		Taxation:			
		Taxation on the Profits of the year:			
	42,768	Income-tax at 9*s* in the £	£101,550		
	28,400	Profits tax	55,500		
	71,168			£157,050	
	4,016(Cr.)	Adjustments relating to previous years		(*Cr.*)10,497	
	67,152			146,553	
	5,677	Income-tax on Initial Allowances on Plant purchased		15,065	
72,829					161,618
		Dividends (net) paid or recommended for payment by Directors on:			
	8,250	5 per cent Cumulative First Preference Shares		8,250	
	7,304	8 per cent Non-Cumulative Preference Shares		7,304	
	30,525 (15%)	Ordinary Shares at rate of 25 per cent		50,875	
	10,175 (5%)	*Ordinary Shares, Bonus at rate of 5 per cent*		—	
56,254					66,429
		Balance, as per Consolidated Balance Sheet (see page 10):			
	24,012	The Associated Paper Mills Ltd (see page 6)		24,265	
	6,082	Subsidiary Companies		6,805	
30,094					31,070
£164,950					£336,117

October 1st, 1949 £		£
173,737	Trading Profits (subject to Depreciation)	374,403
50,548	Less Provision for Depreciation	46,712
123,189		327,691
	Note: In the case of one Subsidiary no Depreciation has been provided in respect of Freehold Land and Water Rights, in the case of a second in respect of Freehold Land, Water Rights and Office Buildings, and in the case of a third in respect of the Fixed Assets.	
—	Rent Receivable	3,057
4,376	Interest Receivable from Government Securities, Tax Reserve Certificates, Bank Deposits, etc.	2,170
67	Transfer Fees	75
1,137	*Deferred Repairs Reserve no longer required*	—
£128,769		£332,993
£		£
99,385	Profit subject to taxation for the year to September 30th, 1950, brought down	306,023
30,565	Balance brought forward from October 1st, 1949 ..	30,094
35,000	*Transfer from Contingencies Reserve*	—
£164,950		£336,117

The particulars of the Emoluments paid to the Directors of The Associated Paper Mills Ltd, by that Company and its Subsidiary Companies, required to be stated by Section 196 of the Companies Act, 1948, are: Fees £7,570 (*1949 £8,250*), Other Emoluments £6,060 (*1949 £8,058*). Fees amounting to £2,150 (*1949 £2,150*) are also paid for the provision of Secretarial and Accountancy Staff for the Group, which includes the services of Mr B. C. Gain as Secretary.

Tobacco Exchange

Notes which accompany the accounts of the Imperial Tobacco Co (of Great Britain and Ireland) Ltd for the year to October 31st, 1950, deal with the financial effect of the company's purchase of tobacco leaf for dollars. The greater part of the American and Canadian tobacco used in manufacture during the year to the date of the accounts, it is stated, was purchased before sterling was devalued and therefore at a lower sterling cost than that based on present rates of exchange.

In order to reflect the increase in replacement cost due to devaluation, the cost of all dollar tobacco cleared from bond for manufacture has been converted into sterling at post-devaluation rates of exchange for the purposes of arriving at the trading profit for the year.

The following extract from the profit and loss account shows how the special surplus arising from the conversion at post-devaluation rates was dealt with.

		£
(iii) SPECIAL SURPLUS arising from conversion to sterling of dollar costs of American and Canadian tobacco cleared from bond during the year (see Note I)		6,209,000
Less United Kingdom taxation estimated to be payable thereon:		
(i) Profit Tax	£620,900	
(ii) Income Tax (set aside to Reserve for future Income Tax)	2,514,645	
		3,135,545
Amount transferred to Leaf Replacement Reserve		£3,073,455

Money Market

Applications for Treasury bills totalled £320,310,000 on April 6th. A 67 per cent allotment was made with the rate 10*s* 3·13*d* per cent. This week's offer is £250,000,000.

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Superannuation Contributions

SIR, – May I add to my letter published in your issue of March 17th?

Further correspondence with the Inspector on the subject has resulted in a proposal to treat superannuation paid almost in the same way as a new source of income under Schedule D.

Allowances are given based on the actual amounts paid in each fiscal year until an accounting year, throughout which contributions have been made, forms the basis year of assessment. In the assessment based on that year and in future assessments the superannuation payable on salaries receivable for the basis period is allowed as a deduction in computing the assessable profit.

Thus where the accounting year ends on September 30th and superannuation was first paid on salaries receivable under the National Health Scheme, allowance is given in 1948–49 and 1949–50 based on the actual amounts deducted from *payments* during the periods July 5th, 1948, to April 5th, 1949, and April 6th, 1949, to April 5th, 1950, respectively, and in 1950–51 a deduction from profits assessable is made, based on the amounts deducted from salaries *payable* for the year ended September 30th, 1949.

Presumably, on a cessation of payments of superannuation adjustments will be required in the same way as for the closing years under Schedule D.

Where the practitioner is in receipt of salaries from a number of authorities, the question will arise on cessation of any one of these salaries. I assume that the Inspector and the practitioner (or his representative) will agree to make the adjustment or ignore it after consideration of the individual facts of the case.

Yours faithfully,
P. H. HININGS, A.C.A.
Teddington, Middlesex.

Method of Charging Mortgage Interest

SIR, – From what I understand there are several different methods by which interest on mortgage moneys is calculated and charged and it is in respect of one particular method that I should appreciate the views of correspondents.

For instance, the balance outstanding at December 31st is taken forward at January 1st and a whole year's interest is debited in one lump, in advance.

Payments made – say monthly – are credited at the end of the year, the balance being again carried forward and the process repeated.

One would expect to pay a whole year's interest if the balance as at January 1st remained unreduced at the following December 31st, but the fact that regular monthly payments are made as agreed makes the interest over the year really less than that which has been debited and it would only be equitable for the mortgagor to receive an adjustment in his favour accordingly. This, however, he does not get, with the result that a substantial number of pounds are involved over a period of years.

Whilst the deeds may provide for repayment of capital and interest by sums of so much per year for so many years, it does not alter the fact that on the basis of an annual statement showing balance, plus a whole year's interest, less the total of monthly payments made, the moneys owing as at January 1st have not been wholly outstanding for the entire year.

Could any reader please tell me why borrowers should be charged in this way and whether they know of any contestant having succeeded?

Yours faithfully,
WILLIAM L. NEWTON,
East Molesey, Surrey. A.COMM.A., A.F.T.COM.

Development Charge on Land

SIR, – Land was acquired for the purpose of erecting a works. A development charge was required to be paid. In preparing an industrial buildings claim, can the amount of development charge be treated as part of the cost of the building, or must it be dealt with as applicable to the land and not the building, and so be excluded from the claim?

Replies from readers having experienced this point in practice would be appreciated.

Yours faithfully,
CASTLE.

Director: Profits Tax

SIR, – A private limited company has a governing director who has most extensive powers under the articles of association. Amongst other things, the governing director may:

> 'appoint any other persons to be directors of the company and may define, limit and restrict their powers and may fix and determine their remuneration and duties and may at any time remove any director appointed under'

those powers. In addition, the governing director may exercise all the powers, authorities and discretions vested in the board generally, and all of the other directors are under his control by virtue of the articles of association.

The present governing director holds under 5 per cent of the ordinary share capital of the company. The views of readers would be appreciated as to whether the governing director is a whole-time service director for profits tax purposes. Information would be welcomed from practitioners who have dealt with similar cases and agreed the position with the Inland Revenue.

JUMBO.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council, held on Wednesday, April 4th, 1951, at the Hall of the Institute, Moorgate Place, London, EC, there were present:

Mr H. Garton Ash, O.B.E., M.C., President, in the chair, Mr C. W. Boyce, C.B.E., Vice-President; Messrs W. L. Barrows, Sir Harold Barton, Messrs T. Hamilton Baynes, B. H. Binder, T. Fleming Birch, J. Blakey, W. G. Campbell, P. F. Carpenter, W. S. Carrington, A. S. H. Dicker, M.B.E., G. R. Freeman, S. H. Gillett, M.C., P. F. Granger, D. V. House, H. Crewdson Howard, Sir Harold Howitt, G.B.E., D.S.O., M.C., Sir Russell Kettle, Messrs W. H. Lawson, C.B.E., W. R. MacGregor, K. A. E. Moore, P. Morgan-Jones, C. U. Peat, M.C., P. M. Rees, M.C., L. W. Robson, G. F. Saunders, G. D. Shepherd, M.B.E., K. G. Shuttleworth, B. Smallpeice, E. E. Spicer, C. M. Strachan, O.B.E., E. D. Taylor, T. A. Lacy Thompson, D.S.O., M.C., G. L. C. Touche, E. G. Turner, M.C., A. D. Walker, T. Walton, Sir Nicholas Waterhouse, K.B.E., Mr H. B. T. Wilde, with the Secretary and Assistant Secretaries.

Exemptions from the Preliminary Examination

On the report of the General Purposes Committee one application under Bye-law 79 for exemption from the Preliminary examination was acceded to.

On the report of the War Bye-law Sub-Committee one application under Bye-law 63 (*a*) for exemption from the Preliminary examination was acceded to and one application was not acceded to.

Reduction in Period of Service under Articles

On the report of the War Bye-law Sub-Committee one application under Bye-law 63 (*c*) for a reduction in the period of service under articles was not acceded to and one application was deferred.

Exemptions from the Intermediate Examination

On the report of the General Purposes Committee one application under Bye-law 85 (*b*) for exemption from the Intermediate examination was acceded to.

On the report of the War Bye-law Sub-Committee one application under Bye-law 63 (*d*) for exemption from the Intermediate Examination was acceded to.

Articled Clerk: Serves with a Commercial Organization

On the report of the General Purposes Committee one application under Bye-law 58 (*c*) from an articled clerk to spend a part of his service under articles with a commercial organization was acceded to.

Changes of Name

On the report of the General Purposes Committee the Council decided that the following changes of name be made in the roll of members:

Jones, Percy Morgan to Morgan-Jones, Percy.
Jones, Frank Wheatley to Wheatley Jones, Frank.
Jones, Mark Wheatley to Wheatley Jones, Mark.
Jones, Brian Wheatley to Wheatley Jones, Brian.
Smith, James Maberley Sandford to Sandford Smith, James Maberley.
Wall, Henry to Jellicoe-Wall, Henry.

Notices in the Press

On the report of the Investigation Committee the Council decided to issue the following statement:

'In amplification of the statement issued by the Council in 1945 concerning the question of notices and advertisements in publications and the Press (reproduced at page 77 of the Members' Handbook) the Council now makes the following further statement:

"No publication in the public Press (other than the accountancy Press) of notices of changes in partnerships or addresses should be made, obtained or permitted by a member or a firm in which a member is a partner. This applies whether or not the notice is charged for. The only exception is where notices are given pursuant to statutory provisions."

The Council's statement in 1945 was in the following terms:

"The Council has had under consideration the question of notices and advertisements in publications and the Press, including those inserted by, and on behalf of clients.

"Members are aware that they are not allowed to advertise or circularize in such a manner as to attract business. Cases arise from time to time which may be interpreted as offering to undertake professional work, and this is frequently due to the manner in which the notice is worded.

"The Council wishes to impress upon members the desirability, in their own interests, of consulting the Secretary of the Institute, where there is the slightest doubt, before inserting any advertisement or announcement in the public Press or otherwise." '

Retention of Papers by Accountants

On the report of the Parliamentary and Law Committee, the Council approved a statement regarding the ownership of records and an accountant's lien, for inclusion in a supplement to the MEMBERS' HANDBOOK in substitution for the opinion obtained in 1927 and reproduced at pages 64 to 66 of the handbook.

Dealings in and Notices Relating to Securities: Prevention of Fraud (Investments) Act, 1939

On the report of the Parliamentary and Law Committee, the Council decided to issue the following statement:

(1) In amplification and replacement of the Council's statement of August 1945 (Members' Handbook, page 52), the Council desires to draw the attention of members of the Institute to certain important provisions of the Prevention of Fraud (Investments) Act, 1939, which may not be sufficiently appreciated, namely:

(i) Section 1 of the Act which (subject to certain exceptions) prohibits any person from carrying on or purporting to carry on *the business of dealing in securities* except under the authority of a principal's licence or a representative's licence; and

(ii) Section 13 which places a general restriction on the distribution of circulars relating to securities, subject to certain exceptions specified in subsections (2) and (3).

Dealing in securities

(2) Section 26 of the Act defines 'dealing in securities' as meaning:

'Doing any of the following things (whether as a principal or as an agent), that is to say, making or offering to make with any person, or inducing or attempting to induce any person to enter into or offer to enter into:

(*a*) any agreement for, or with a view to acquiring, disposing of, subscribing for or underwriting securities or lending or depositing money to or with any industrial and provident society or building society, or

(*b*) any agreement the purpose or pretended purpose of which is to secure a profit to any of the parties from the yield of securities or by reference to fluctuations in the value of securities.'

(3) The definition of 'dealing in securities' is thus extremely wide, but the prohibition in Section 1 is against '*carrying on or purporting to carry on the business of* dealing in securities'. Whether or not the act of dealing constitutes the carrying on of the business of dealing is a question which depends on the circumstances of the particular case. The Council has been advised by counsel that a single act which falls within the definition of 'dealing in securities' would not normally be likely to be held to constitute carrying on the business of dealing, but it might be so held in the particular circumstances; on the other hand a number of acts falling within the definition of 'dealing in securities' would normally be likely to be held to constitute carrying on the business of dealing, but it might not be so held in the particular circumstances. Counsel is unable to advise any general rule which could be applied.

(4) The Board of Trade has authorized the Council to state that in the opinion of the Board professional persons such as accountants and solicitors who may in their professional capacity arrange for the purchase or sale of securities for their clients or who may deal in securities in the course of administration of a deceased's estate or as liquidator, trustee in bankruptcy or similar professional capacity, would not ordinarily be held to come within the restrictions of Section 1. In its application to members of the Institute, this opinion woud apply only to dealings which are incidental to the professional services rendered to clients by a member in practice. There is no provision in the Act conferring a general exemption for transactions carried out by professional persons on behalf of clients; the opinion given by the Board of Trade should therefore be regarded as guidance on the question of what might be held to constitute carrying on or purporting to carry on the business of dealing in securities. A member who is in doubt as to whether or not a particular course of action would be an offence against Section 1 is advised to communicate with the Board of Trade at the address below.

(5) No prosecution under Section 1 can be instituted without the consent either of the Board of Trade or the Director of Public Prosecutions. A person who is convicted of contravening Section 1 is liable, on conviction on indictment, to imprisonment for a term not exceeding 2 years or to a fine not exceeding £500 or to both; or on summary conviction to imprisonment for a term not exceeding 6 months or to a fine not exceeding £100 or to both.

Circulars and advertisements

(6) The general restriction imposed by Section 13 of the Act on the distribution of circulars relating to securities is subject to certain exceptions specified in subsections (2) and (3). Under subsection (2) the restriction does not apply in relation to any distribution of documents which is permitted by the Board of Trade. Where a member wishes to obtain the permission of the Board he should submit a copy of the circular and any other documents which he proposes to distribute in connexion with the matter.

(7) The Council is advised by counsel that by reason of subsection (4) of Section 13 an advertisement inserted in a newspaper, journal, magazine or other periodical publication may in certain circumstances constitute a 'circular' for the purpose of the section.

Communications to the Board of Trade

(8) Any communications to the Board of Trade in connexion with the Act should be addressed to the Assistant Secretary, Board of Trade, Insurance and Companies Department, Lacon House, Theobald's Road, London, WC1.

Companies Act, 1948

On the report of the Parliamentary and Law Committee the Council decided to submit for consideration by the Board of Trade a number of matters regarding the Companies Act, 1948, and the Ninth Schedule thereto.

Annual Report and Accounts for 1950

The annual report of the Council and the accounts of the Institute for the year 1950 were approved for issue to members of the Institute.

National Service

The Council appointed representatives to discuss with the Ministry of Labour and National Service the question of reservation of practising accountants and qualified members of their staffs in the event of mobilization.

Certificates of Practice etc.

On the report of the Applications Committee the following resolutions were passed:

(1) That certificates of practice be issued to the following fifteen associates who have commenced to practise:

Ainsworth, Wilfred Philip; 1940, A.C.A.; 6 Amble Avenue, Whitley Bay, Northumberland.
Allsop, Reginald Percy: 1946, A.C.A.; (R. P. Allsop & Co), County Buildings, 147 Corporation Street, Birmingham, 4.
Atkinson, Ralph Ernest; 1929, A.C.A.; 196 High Street, Orpington, Kent.
Batsford, William Frederick; 1936, A.C.A.; 25 The Lindens, Harborne, Birmingham, 32.
Bell, Richard Nicholas James; 1950, A.C.A.; (W. J. Watt & Co), 20 Essex Street, Strand, London, WC2.
Cox, William James; 1949, A.C.A.; 14 Laburnum Grove, St Albans.
Davis, Bernard David; 1951, A.C.A.; 188 Longbridge Road, Barking, Essex.
Elman, Charles; 1951, A.C.A.; (Charles Elman & Co), 7 Crosby Road, Westcliff-on-Sea, Essex.
Fielding, Michael David; 1951, A.C.A.; (Fieldings), Martins Bank Chambers, 59 Fleet Street, Torquay, and at Brixham and Paignton.
Gardner, Jack; 1951, A.C.A.; (J. H. Gardner & Co), 10 Queens Gate Villas, Victoria Park Road, London, E9.
Harland, Geoffrey; 1951, A.C.A.; (Wm. Harland & Son), 41 High Street, Stockton-on-Tees.
Harrison, Ernest Thomas; 1950, A.C.A.; 25 Brunswick Park Road, New Southgate, London, N11.
Robinson, Clifford John; 1950, A.C.A.; 84 Lawrie Park Road, Sydenham, London, SE26.
Swann, Robert Grimshaw; 1950, A.C.A.; (*H. D. Moorhouse & Co), Imperial Buildings, 7 Oxford Road, Manchester, 1.
White, John Austen; 1927, A.C.A.; (Austen White), 65 Sandringham Road, Worcester Park, Surrey.

(2) That eleven associates be elected to fellowship under clause 6 of the supplemental Charter (Bye-law 31).

(3) That one associate be elected to fellowship

* placed against a Firm Name signifies that the Firm is not exclusively composed of members of the Institute.

under clauses 6 and 31 of the supplemental Charter (Bye-law 31).

(4) That three applicants be admitted as associates under clause 5 of the supplemental Charter (Bye-law 31).

(5) That twelve applicants be admitted as associates under clause 9 of the supplemental Charter (Bye-law 36).

A list of those who complete their fellowship or membership before April 17th will appear in *The Accountant* on April 21st.

Registration of Articles

The Secretary reported that 86 articles of clerkship were registered during the month of March as compared with 89 in the previous March.

Resignation

The Secretary reported the resignation of:
Mr Alec John Wareing, A.C.A., Sleaford.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Frederick Edward Branstone, A.C.A., Surbiton.
„ William Herbert Chantrey, F.C.A., London.
„ Charles Collins, F.C.A., Liverpool.
„ Henry Watts Denton, A.C.A., Ipswich.
Rev. Reginald Harry Sutton Gobbitt, M.B.E., M.A., A.C.A., Wallingford.
Mr Richard Neville Gooch, F.C.A., London.
„ Gerald Chevalier Griffiths, A.C.A., Falmouth.
„ Fred Harrison, F.C.A., Bradford.
„ Percy Arthur Ide, A.C.A., São Paulo, Brazil.
„ Arthur Burley Lucas, F.C.A., London.
„ Eric George Ashby Mason, A.C.A., Leicester.
„ Charles Ernest Mather, A.C.A., New Jersey, U.S.A.
„ Arthur Minton, F.C.A., London.
„ Christopher Ogle, M.A., F.C.A., Reigate.
„ Reginald Bernard Petre, F.C.A., London.
„ Leonard Ridsdale Stevens, F.C.A., London.
„ Frank Hough Stevenson, A.C.A., Hoylake.
„ William Percy Vickerman, A.C.A., North Ferriby.
„ Val Wheeler, A.C.A., London.

Articled Clerks: National Service

A statement regarding articled clerks and national service, approved by the Council at its meeting on March 7th, 1951, was not included in the report published in *The Accountant* of March 17th, 1951, but appeared in the weekly notes in *The Accountant* of March 31st, 1951.

ANNUAL MEETING OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

The Annual Meeting of the Institute will be held at the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2, on Wednesday, May 2nd, 1951, at 2 p.m.

TAXATION CASES

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in *The Annotated Tax Cases*.

Bury & Walkers *v.* Phillips

In the High Court of Justice (Chancery Division)
February 27th, 1951
(Before Mr Justice WYNN-PARRY)

Income-tax – Solicitors – Whether money-lending part of the business – Whether money-lending carried on as separate business – Claim for expenses – Income Tax Act, 1918, *Schedule D, Cases I and II, Rule* 3 (*a*).

The appellants carried on the profession of solicitors, and since 1890 the firm had made a practice of advancing money for financing the purchase of land for house-building. This practice became known in the district, and of the builders who sought loans from the appellants, about half were clients of the firm and half not. The appellants also lent money to other persons, most of whom were clients, in connexion with the purchase of houses. In 1946 the appellants lent money to 113 persons, of whom only six were builders. The rate of interest was about five per cent, and was substantially the same for loans to builders as for loans to other persons. Interest on loans to builders was not segregated in the firm's accounts. No evidence was given to show any practice generally prevailing among solicitors of making loans as a part of their practices.

The appellants also claimed to be entitled to deduct certain sums in respect of entertainment expenses. The sums in question were estimated amounts, and were calculated in the case of two of the partners at the rate of £1 10*s* 0*d* a week, and in the case of the other two partners at the rate of £1 15*s* 0*d* a week. The Special Commissioners decided that the sums claimed were not expended wholly and exclusively for purposes of the profession within the meaning of Rule 3 (*a*) of Cases I and II of Schedule D.

Held, (1) that the making of loans was not a separate business carried on by the appellants, (2) that the making of loans was not a part of the appellants' business, (3) that the sums claimed as expenses could not be deducted for income-tax purposes.

Yates *v.* Starkey

In the Court of Appeal – March 5th, 1951
(Before THE MASTER OF THE ROLLS (Sir RAYMOND EVERSHED), Lord Justice JENKINS and Lord Justice HODSON)

Income-tax – Sums payable to children – Divorce – Maintenance of children – Order for payment to former wife in trust for children – Whether a settlement on the children – Right to child allowance – Income Tax Act, 1918, *Section* 27 *– Finance Act,* 1920, *Section* 21 *– Supreme Court of Judicature (Consolidation) Act,*

1925, *Sections* 190, 191, 192, 193 – *Finance Act*, 1936, *Section* 21 – *Matrimonial Causes Act*, 1937, *Section* 10 (4) – *Finance Act*, 1940, *Section* 24.

The respondent was the respondent in a divorce suit, and was ordered to pay to his former wife, as from the date of the decree absolute, an annual sum in trust for each of his three children. He claimed the child allowance for each child.

The Inland Revenue contended that the child allowance could not be given, as each child had an income in its own right in excess of the permitted amount, in that the payments made by the respondent under this order constituted income of the children. The respondent contended that the payments had to be treated for tax purposes as the respondent's income under Section 21 of the Finance Act, 1936.

It was contended on behalf of the Inland Revenue that the order in the divorce suit did not create a trust for the children; and that if it did, the sums payable to the children did not become payable to them by virtue or in consequence of a settlement made by the respondent.

The General Commissioners decided that the order created a trust in favour of the children; that the trust income had to be treated as the respondent's income, and not the children's income, for tax purposes; and that the respondent was entitled to the child allowance in respect of each child.

Held (affirming the decision of Mr Justice Vaisey), that the General Commissioners' decision was correct.

Silverts Ltd *v.* C.I.R.

In the Court of Appeal – March 5th, 1951

(Before THE MASTER OF THE ROLLS (Sir RAYMOND EVERSHED), Lord Justice JENKINS and Lord Justice HODSON)

Profits tax – Directors' remuneration – Controlling interest – Controlling shares held by custodian trustee and managing trustees – Whether company director-controlled – Public Trustee Act, 1906, *Section* 4 (2) – *Finance Act*, 1937, *Sections* 19, 20, *Schedule IV*, *paragraphs* 7, 11 – *Finance* (*No.* 2) *Act*, 1939, *Section* 13.

The shares of the company consisted of 6,000 'A' shares, 6,000 'B' shares, and 2,000 'C' shares. All the 'A' shares were settled for the benefit of a son of their former owner, and were held by a bank as custodian trustee under Section 4 of the Public Trustee Act, 1906. There were also two managing trustees of the settlement, and they were directors of the company. The whole of the 'B' shares were held by another director.

It was contended on behalf of the Inland Revenue that the bank, as custodian trustee, was a bare trustee of the 'A' shares for the two managing trustees and that the bank was bound to comply with any directions lawfully given by them, and that, therefore, the company was director-controlled.

It was contended on behalf of the company that a custodian trustee cannot be a bare trustee in view of the implied provision in Section 4 of the Public Trustee Act, 1906, to the effect that a custodian trustee is not bound to comply with directions of the managing trustees, if those directions would involve a breach of trust, or would involve a personal liability upon the custodian trustee. It was contended, in the alternative, that it was not permissible to look behind the register of members to inquire into the interests existing in the settled shares. The Special Commissioners accepted the contentions on behalf of the company.

Held (reversing the judgment of Mr Justice Romer), that the bank as custodian trustee was not merely a nominee or a bare trustee; that the controlling interest in the shares was in the bank; and that, therefore, the company was not director-controlled.

THE SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS

DINNER AND DANCE AT SOUTHSEA

Yet another successful and enjoyable occasion was arranged by The South Eastern Society of Chartered Accountants when 155 members and guests and their ladies attended a dinner and dance at the Royal Beach Hotel, Southsea, on Friday, April 6th. Mr O. W. Horne, M.C., F.C.A., President of the Society, presided.

On arrival, members and guests were received by Mr and Mrs Horne, and by Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A., a Past-President of the Institute, and Lady Howitt.

After the dinner, the toast of 'The Institute of Chartered Accountants in England and Wales and The South Eastern Society of Chartered Accountants' was proposed by Lieut.-Col. S. Barnes, O.B.E., T.D., President of Port of Portsmouth Chamber of Commerce. Responses were made by Sir Harold Howitt and by Mr Horne, who paid a tribute to the work of the Hon. Organizing Secretary, Mr J. G. A. Ellis, F.C.A., in arranging the evening. The toast of 'Our Guests' was proposed by Mr R. S. S. Thomas, A.C.A., and Mr F. C. Rea, O.B.E., T.D., replied.

During the evening there was an exhibition of ballroom dancing arranged by the Guerlot-Dickinson School of Dancing, after which dancing continued until 1 o'clock to the music of Graham Leslie's band.

NOTES AND NOTICES

Personal

MESSRS CRANE, CHRISTMAS & CO, of 46–47 London Wall, EC2, announce that the partnership between Mr F. H. COOPER CHRISTMAS, F.C.A., Mr E. W. LANGFORD, F.C.A., and Mr G. E. MILLSON, F.C.A., was terminated by mutual consent on March 31st, 1951. Mr F. H. COOPER CHRISTMAS and Mr E. W. LANGFORD will continue to practise at 46–47 London Wall, EC2, under the name of CRANE, CHRISTMAS & CO, and have admitted into partnership, as from April 1st, 1951, Mr A. G. B. DRABBLE, A.C.A., who served his articles with the firm, and has been a member of the staff for many years.

MESSRS E. T. COULSON, T. H. JACKSON, T. HUDSON and J. K. SNOW formerly practising in partnership as Chartered Accountants under the name of ROBINSON, COULSON, JACKSON & CO, at Alma Chambers, Scarborough, and at Filey, Kirbymoorside and Helmsley announce that the partnership between them was dissolved on March 31st, 1951. Messrs E. T. COULSON, T. HUDSON and J. K. SNOW will continue in practice in the present offices at Scarborough and Filey under the name of ROBINSON, COULSON & CO. Mr T. H. JACKSON will continue in practice in partnership with Mr CHARLES BUNTING under the name of T. H. JACKSON & BUNTING, at nine Alma Square, Scarborough and in the present offices at Kirbymoorside and Helmsley under the name of T. H. JACKSON & CO.

MESSRS CHANTREY, BUTTON & CO deeply regret to announce the death of their senior partner, Mr WILLIAM HERBERT CHANTREY, F.C.A., which took place at Menton on Sunday, March 18th, 1951.

MESSRS PEAT MARWICK MITCHELL & CO announce that Mr D. B. WARD, A.C.A., has been admitted as a partner in their Middlesbrough, Newcastle, and Darlington offices with effect from April 1st, 1951.

MR LESLIE H. ANDREWS, F.C.A., of 10 North Street, Horsham, Sussex, announces that as from April 1st, 1951, he has been joined in partnership by Mr RALPH GERALD OLDHAM REW, A.C.A. The practice will continue to be carried on under the title of LESLIE ANDREWS & CO at the same address.

MESSRS H. H. SHERWOOD & CO, Chartered Accountants, of York House, 38 Great Charles Street, Birmingham, 3, announce that as from April 1st, 1951, Mr P. R. DALLOW, A.C.A., has been taken into partnership. There will be no change in the name of the firm.

MESSRS W. B. KEEN & CO, Chartered Accountants, of 69 Ship Street, Brighton, Sussex, and at London, announce that Mr S. F. ELLINS, A.C.A., A.S.A.A., who has been a member of their staff for over twenty years, has been admitted as a partner in their Brighton firm from April 1st, 1951. The style of the firm will remain unchanged.

MESSRS GRAHAMS, RINTOUL, HAY, BELL & CO, Chartered Accountants, of 105 St Vincent Street Glasgow, C2, and London, announce that they have assumed as a partner as from April 6th, 1951, Mr GEORGE HADDOW, B.COM., C.A., who will be associated with their Glasgow office. Mr HADDOW, who is a nephew of Mr ROSS T. HADDOW, M.C., C.A., graduated as a Bachelor of Commerce at Edinburgh University. On his return from military service at the end of the recent war he joined the staff of Messrs WILSON, STIRLING & CO, Chartered Accountants, of Glasgow, and received his training with that firm.

MESSRS FORRESTER, BOYD & CO, Chartered Accountants, of Grimsby, Scunthorpe, etc., announce that as from March 31st they have admitted into partnership Mr G. H. FOWLER, A.C.A., who served his articles with them and has been for some years a senior member of their staff.

MESSRS BLACKBURNS, ROBSON, COATES & CO, Chartered Accountants, announce that Mr THOMAS YEATS WHITTINGDALE, A.C.A., who has been a senior member of their staff for many years, has been admitted to the partnership.

Chartered Accountant to be Mayor of Darlington

Mr Harry Sansom, F.C.A., senior partner in the firm of Sansom, Bell & Co, Chartered Accountants, of Priestgate, Darlington, and of the firm of Gilchrist, Tash, Wilson & Sansom, Chartered Accountants, of Middlesbrough, has accepted an invitation to become Mayor of Darlington for the ensuing year.

Keenly interested in local affairs, Mr Sansom has represented the West Ward on Darlington Town Council since February 1939. He is vice-chairman of Darlington and District Property Owners' Association, a member of the committee of the local branch of the R.S.P.C.A., and a director of several local firms.

Deputy Lieutenant for Lincolnshire

The names of eight newly appointed Deputy Lieutenants for the county of Lincolnshire have recently been announced, among them being that of Brevet Colonel (Hon. Col.) N. B. Hart, O.B.E., T.D., M.A., LL.B., F.C.A., a partner in the firm of Stephenson, Smart & Co, of Brigg, Lincoln, Scunthorpe, York and elsewhere.

Professional Notes

Messrs Craig & Rose Ltd, of Edinburgh, announce that Mr Kenneth N. McPherson, C.A., A.C.W.A., has been appointed secretary of the company as from April 1st, 1951.

The Anglo-Dutch Plantations of Java Ltd announce that Mr H. P. Cemach, A.C.A., A.I.L., has, with effect from January 1st, 1951, been appointed finance officer of their Java operating company, the 'P. & T. Lands'.

Obituary

ARTHUR BURLEY LUCAS, F.C.A.

It is with regret that we record the death on March 17th, 1951, of Mr Arthur Burley Lucas, F.C.A., aged 74.

Mr Lucas was admitted an Associate of the Institute in 1898, and he joined the firm of Tribe, Clarke, Painter & Co (subsequently Tribe, Clarke, Painter, Darton & Co), in February of that year, with which he was associated for the rest of his business life. He was admitted into partnership in 1908 and on the retirement of Sir Frederic Painter in 1912 he became a senior London partner. He was elected a Fellow of the Institute in 1918.

Mr Lucas was keenly interested in hospital work and for about forty years was honorary auditor of the North Herts Hospital, retiring in 1948 upon the introduction of the National Health Service.

The National Corporation for the Care of Old People

In the third year of the Corporation's life, the Governors announce in their report for the year ended September 30th, 1950, that the Queen has consented to be the patron of the Corporation – a great encouragement indeed for the necessary work of this national body, which last year paid out grants of over £125,000.

Big efforts have been made to reach agreement between the national health service and local authorities for the setting-up of experimental homes, with capital provided by the Corporation, for old people no longer in need of skilled hospital nursing, but who require a measure of care and attention.

Mr S. H. Gillett, M.C., F.C.A., has joined the Board of Governors of the Corporation, which can be helped so greatly by the financial assistance of the public. The Corporation would welcome donations and especially legacies. The Corporation's secretary is Mr M. R. F. Simson, and the offices are at 33 Doughty Street, London, WC1.

Population Estimates for 1950

The Registrar General recently issued his estimates[1] of the population of each local government area in England and Wales as at June 30th, 1950. The population actually in this country at that date is estimated to have been 43,830,000, with 9,630,000 under 15 years of age, compared with 43,595,000 and 9,497,000, respectively, a year earlier.

These will be the last estimates for local areas before the publication of the first results of the Census which was taken last Sunday.

[1] The Registrar General's Estimates of the Population of England and Wales: Populations of each Administrative Area at June 30th, 1950. H.M. Stationery Office, price 6*d* net.

The Institute of Municipal Treasurers and Accountants

LOCAL HEALTH SERVICES STATISTICS, 1949–50

A return of local health service statistics[1] published by the Institute of Municipal Treasurers and Accountants and the Society of County Treasurers is the first of its kind since the National Health Service Act of 1946 came into force. The return contains statistics of expenditure and unit costs relating to the several health services provided by 61 counties and 83 county boroughs under the National Health Service Acts, 1946 and 1949, and a summary has been included showing details for each group of authorities and for substantially the whole of England and Wales.

As many of these services are still in the course of development, the return is to some extent experimental in form and it has not been possible to include full details in every case, but the information provided will undoubtedly be of use and interest to local health authorities, their committees and officers.

[1] Local Health Services Statistics, 1949–50, obtainable from the Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, Westminster, SW1, or The Society of County Treasurers, 20 Vauxhall Bridge Road, Westminster, SW1, price 2*s* 6*d* each, or at a reduced price for a number of copies.

The Institute of Actuaries

A paper entitled 'Some notes on graduation', by Mr R. E. Beard, M.B.E., F.I.A., will be submitted at an ordinary general meeting of the Institute of Actuaries to be held on April 23rd, in the Hall of the Chartered Insurance Institute, 20 Aldermanbury, EC2.

London University Lectures

A course of three lectures on 'Anglo-American financial relations during and since the war' is to be given at the London School of Economics and Political Science, Houghton Street, Aldwych, WC2, on April 20th, 24th and 27th, by Mr Paul Bareau, Deputy City Editor of the *News Chronicle*.

Admission to the lectures, which will commence at 5 p.m. each day, is free and no tickets are required.

In Parliament

SCHEDULE A ASSESSMENT

Mr ERROLL asked the Chancellor of the Exchequer why the concession whereby the Schedule A assessment of a property let at a pre-1939 rental which subsequently becomes owner-occupied is reduced on re-occupation by the owner to the figure adopted for rating purposes or to the figure adopted if owner-occupied before letting began, was not included in

the list of Extra-Statutory Concessions published in the Ninety-Third Report of the Commissioners of His Majesty's Inland Revenue for the year ended March 31st, 1950.

Mr GAITSKELL: The reduction of a Schedule A assessment in the circumstances to which the hon. Member refers is not a matter of concessional relief, but of the determination of the annual value of the property by the General Commissioners of Income Tax for the area as the body responsible for hearing appeals against Schedule A assessments.

Hansard. April 3rd, 1951. Written Answers. Col. 6.

Directors' Careers

The relative strengths at which the various professions, such as accountancy and law, are represented at the board table of large-scale industry are likely to be revealed in a survey of directors' careers which is being conducted this month by a research student in economics. The significance of education in general in helping those who have climbed to the top of industry is also to be studied. Last year an analysis of the careers of directors whose names are mentioned in *Who's Who* revealed that for them education had been very important and the inheritance of capital much less so. The careers of a wider sample of company directors are now to be studied at first hand. Recently the American Institute of Management conducted a survey of the careers of corporation chairmen, which revealed, among other things, that engineering and law were more strongly represented at the very top of American industry than accountancy.

Fine Example of Private Enterprise

The progress of private enterprise in this country is epitomized in the example of Hall & Co Ltd, coal and building material merchants, Croydon. Started as a one-man business in 1824, it has grown steadily until now it is a public company with more than 2,000 employees. One of the present directors, Mr C. G. Dobson, has written an engaging chronicle of the company's history.[1] The result is a valuable social document which loses nothing because it is also a personal and intimate record of the many who united to build up the organization from its humble beginnings to its present proud position. The book is lavishly illustrated with photographs and drawings, many of which are of considerable topographical interest. The secretary of the company is Mr F. C. H. Edwardson, A.C.A., who has recently joined the board of directors.

[1] *A Century and a Quarter*, by C. G. Dobson. Published for private circulation by Hall & Co Ltd, Croydon.

Central Land Board

AGRICULTURAL WORKERS' HOUSES

The Central Land Board has issued a new leaflet D.1.B. (revised March 1951) dealing with development charge on houses for agricultural workers in England and Wales. The previous leaflet on this subject, issued in March 1949 is cancelled. The arrangements provide for the postponement of charge, provided an undertaking is given to pay it when the house ceases to be occupied by a member of the agricultural population. They do not apply to farm-houses.

The postponement can be claimed either:

(*a*) where a subsidy is payable under the Housing Acts on condition that the house is reserved for agricultural workers; (*b*) where an improvement grant is payable under the Hill Farming Act, 1946; (*c*) where the house is to be entered in the valuation lists for rating as an agricultural dwelling-house under the Local Government Act, 1929; or (*d*) where the applicant can otherwise satisfy the Board that the house is to be occupied by an agricultural worker. (*c*) and (*d*) replace a previous arrangement whereby a conditional planning permission was a qualification.

The leaflet, which is available at any of the Board's offices, deals also with smallholders and hostels for agricultural workers but not with houses built by local authorities. Since the leaflet was printed the Livestock Rearing Act, 1951, has received Royal Assent. A grant under that Act will afford a qualification in the same way as a grant under the Hill Farming Act, 1946.

Our Weekly Problem

We regret that pressure on our space this week prevents the publication of this feature.

･# The Accountant

ESTABLISHED 1874

APRIL 21ST 1951 VOL. CXXIV NO. 3983

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NATIONAL INCOME IN 1950

As the Chancellor of the Exchequer made clear in his Budget statement last week, the ability of this country to meet the bill for defence in the new financial year without a severe cut in the standard of living depends very much on the rate of increase in the output of goods and services. An inspection of the pattern of production and of those factors which decided what and how much was produced last year is therefore particularly relevent at the moment. Such a scrutiny gives some indication of how far the estimates for this year seem practicable. Last year's history is, of course, only a partial guide to this year's probability. For example, one of the greatest potential brakes on output this year is the world-wide shortage of raw materials – a state of affairs which played no critical role in 1950. Nevertheless, there is a good deal of information about the national income last year which gives valuable clues about what may be the trend of production, savings and investment in 1951.

Last year, the gross national product is estimated to have been £11,970 million which was an increase of $4\frac{1}{2}$ per cent on 1949. This compared in turn with an increase for the previous year of $7\frac{1}{2}$ per cent. The official compilers of the White Paper on the National Income and Expenditure of the United Kingdom (published last week as Cmd. 8203) are not unduly perturbed by this sign of a drop in the rate of increase of the national income. They are satisfied that the increase in prices last year was mainly due to the higher price of imports and that there was a rise in productivity (recorded from month to month in the two well-known indices of production for a fairly comprehensive range of industries) which, coupled with restraint on the part of wage-earners and shareholders, has almost certainly resulted in a 'real' increase in the national income quite as large as that for the year before.

Limitations of space forbid the complete reproduction of the statistical framework of the national income as contained in the White Paper. But the three tables overleaf summarize the main features and draw out some of the information which will be of interest to the accounting profession. As in past years, they show that there have been considerable revisions in the previous year's figures and that many key calculations are obtained only by differences. Nevertheless, they stand as an indispensable instrument of economic analysis, an instrument which is getting more accurate and more comprehensive each year.

One new feature in this year's White Paper, which it has not been possible to find space for in the tables, is an estimate for last year of capital expenditure on fixed assets which is accompanied by a sample investigation as to how the total was split up among certain industries (Tables 31 and 32 of the White Paper). Another

1. GROSS NATIONAL PRODUCT AND EXPENDITURE IN £ MILLION
(Tables 4, 6 and 28)

	1949 £m	1950 £m		1949 £m	1950 £m
Income arising in the United Kingdom ..	11,439	11,122	Personal consumption	8,567	9,041
Depreciation	1,027	1,124	Public authorities' current expenditure ..	2,039	2,025
Net income from abroad	27	74	Gross domestic capital formation	2,297	2,277
Less Appreciation of stocks	40	350	Overseas surplus	30	229
			Indirect taxes (*less* subsidies)	−1,480	−1,602
Total home resources	11,453	11,970	Gross national expenditure	11,453	11,970

2. CORPORATE INCOME APPROPRIATION ACCOUNT IN £ MILLION
(Tables 9 and 10)

Receipts	1949 £m	1950 £m	*Payments*	1949 £m	1950 £m
Trading profits of:			Interest and dividends paid:		
(*a*) Companies	1,488	1,692	(*a*) By companies	803	827
(*b*) Public corporations	84	103	(*b*) By public corporations	88	91
Other income of companies and public corporations	455	469	Provision for taxation by both groups ..	649	777
			Undistributed profits of both groups ..	487	569
Total corporate income	£2,027	£2,264	Total payments and allocations	£2,027	£2,264

new feature is an analysis of company profits by industries for 1949. While both these new tables are interesting in themselves, it is as yet not possible to find any correlation between the two – a deduction which should offer interesting results (or an equally interesting and significant lack of results) when there has been a run of a year or two in their publication.

The first table above shows the main components of the national income over the last two years and how that income has been used. It is clear that so far as last year is concerned the two beneficiaries were personal consumption and overseas trade. Public authorities spent rather less and capital formation was down.

The second table shows the size of trading profits and how they were allocated. 'Profits' in this context means before profits tax and debenture interest. Much of this rise of £204 million in companies' profits was accounted for by windfalls arising from stock appreciation.

The third table shows how the country's capital was provided. Apart from the large item for depreciation (large only compared with the others for it was almost certainly insufficient to cover the year's replacement costs) the role of the Government as the largest single source of savings for net capital creation is becoming increasingly clear. In this connexion it should be borne in mind that the figure for gross personal savings shown in the lower half of the table is offset by the drafts on capital shown as the third

3. FINANCING GROSS CAPITAL FORMATION IN £ MILLION
(Table 29)

	1949 £m	1950 £m
Surpluses of public authorities	502	676
Transfers to capital accounts	238	145
Less Taxes on capital	−253	−188
Depreciation, reserves, etc.	72	155
Total set aside through action of public authorities	559	788
Depreciation by enterprises	930	1,022
Undistributed profits of companies and public corporations	487	569
Less Provision for stocks appreciation by companies and public corporations ..	−7	−205
Gross personal saving	358	332
Total set aside from domestic receipts ..	2,327	2,506
Overseas surplus	−30	−229
Gross domestic capital formation ..	£2,297	£2,277

item on the list. Net personal savings, having allowed for death duties, were under £150 million. The size of personal savings in the present year will be critical – even though they are expected to fall. The actual size of this item in the national income is difficult to estimate. In 1949 for instance, the first estimate (made last year) was £174 million, the second (made this year) was £105 million. It is to be hoped that the figure for the current year has been conservatively estimated. There is already a great strain put on the estimates of companies' savings as their contribution towards closing the inflationary gap. But the CHANCELLOR has framed his taxation proposals to ensure as far as he can that they make the maximum contribution.

THE TRAINING OF JUNIORS

(Contributed)

In a recent editorial we adapted (pardonably, we hope) Disraeli in saying that the youth of a profession are the trustees of posterity. The following article, written by the office manager of a City firm of chartered accountants, draws attention to some points to be considered in the training of younger clerks up to the stage when they sit their first professional examination.

WHILE inherent inability to pass examinations is presumably the main reason why many articled clerks fail to qualify, another is indifference, caused by a lack of appreciation of the meaning and purpose of the profession. Many youths drift, or are gently propelled by their parents, into accountancy without in the least knowing what it is all about. At the very beginning of their careers they are given routine tasks with little or no explanation as to the significance of the apparent drudgery. This soulless work engenders an apathy which adversely affects their whole outlook on the profession and which soon spreads to their studies with the almost inevitable dismal consequences.

The responsibility for giving a junior adequate instruction, not only in connexion with auditing but in all matters relating to office routine, rests fairly and squarely on his employers. They should realize that, for the average youth, the office is taking the place of a university and that the quality of the training he receives will almost certainly have a lasting influence on his character as well as on his career. Moreover, the interest taken in his progress by the principals of the firm should, as far as possible, be personal and not vicarious. The tradition, current in some larger offices, that the senior partners know very few of their staff by sight or name is, if true, both bad psychology and bad manners. Every member, however modest a position he may hold, should be made to feel that he is a useful member of the firm and that he is known to those whom he serves.

Introduction to the Office

Each junior, immediately on starting, should be given a copy of the office rules to read and learn. These should set out in simple terms all he needs to know about hours, holidays, time recording and dress and deportment. There should be appended to the rules brief descriptions of the functions and methods of the reception, postage, typing and cash departments. It is to be hoped that the office in these respects is well organized because, good or bad, the system will be to the new and impressionable youth a microcosm by which he will measure the efficiency of other offices he visits. A desk – or even a drawer in a desk – or a locker, should be allocated to him in which to keep such things as his time diary, his towel and any text-books he may bring to the office. This may appear a trifling point but to the junior it will probably be important because it gives him a niche which he can regard as his own.

If the new junior is to be articled then the mechanics of preparing and signing the articles should be begun forthwith. If he is not to be articled then he should be encouraged to take (as may have been suggested at the preliminary interview) some other professional qualification and should be advised in detail as to how to proceed. He also will probably want to know about classes, tutors and text-books and either the staff partner or a manager should be in possession of exact information on these points. The quick production of accurate particulars, on which he knows he can rely, helps the junior to see his way ahead more quickly and more clearly and gives him a feeling of confidence.

Every junior, if the size and organization of the firm permits, should serve an initial period in the cash room or in the reception and postage department. No exceptions to this rule should be made either for university graduates or for other clerks serving shorter articles. This enables him to gain practical experience in the workings of the office, to get to know the other members of the staff, to learn the rudiments of book-keeping and banking, and to acquaint himself with the names of the clients. It is also a good disciplinary measure, for cashiers and commissionaires usually have a kindly but firm way of handling the young which puts the new junior at his ease without causing him to lose respect for authority. The length of time that each junior should assist 'at the counter' or in the cash room depends partly on the length of his articles and on the numbers available for such duties, but on the average three to six months should be

sufficient with a proportionate reduction for those serving articles of less than five years' duration.

Introduction to Auditing

By the time the junior becomes available for work on the audit staff he should (as it were) have found his feet and be thoroughly familiar with the ways of the office. The next step is gently to instruct him in what an audit is and under what circumstances it is necessary. Particulars of procedure should not, at this stage, be stressed as these he will best acquire through actual experience but he should be thoroughly grounded beforehand in the markings used by the office. A specimen set of these should form one of the appendices to the office rules so that the physical form, if not the significance, of each should already be familiar to him. The importance at all times of not disfiguring the clients' books with clumsy ticks should be stressed.

A 'diplomatic' aspect of auditing, important but often overlooked, which should be made clear to each junior before he embarks on his first audit, is the high standard of conduct expected of him while working in clients' offices. It is of paramount importance for him to realize that he is, in a manner of speaking, an ambassador of his firm and any shortcomings on his part may be considered a reflection on its own good name.

Seniors' Responsibility for Training

When the junior becomes a member of the audit staff much of the emphasis of responsibility for his proper training moves from the partners and managers to the seniors with whom he works. It is therefore essential that they should realize the nature and importance of their trust. With seniors who have been trained with the firm and appreciate its policy there should be no difficulty but, in the case of incoming seniors with different views, or no views at all, on the status of his younger assistants, a few tactful words and an exchange of opinions may possibly save trouble later. As, however, complete uniformity of technique and temperament among seniors is not expected, nor indeed would be desirable, particular care should be taken by the partner or manager when allocating staff to jobs to make – as far as the requirements of the work on hand permit – sympathetic pairings. Generally, the youngest juniors should be entrusted, at first, to the older and more experienced seniors and, if it is on interim audit work when there is a sufficiency of time for detailed explanations, so much the better. The backward junior should be made the special care of the most patient senior for as long as his mentor's equanimity remains unimpaired. The time laggard should be made to serve a spell with a senior with a penchant for punctuality. The tendency of a senior to monopolize a bright junior on a long run of jobs or on the same job year after year, although it may in certain instances be justified, should in principle be resisted. The practice may mean a saving in time but it restricts the opportunities of both senior and junior for gaining knowledge and experience.

Finally, it should be the task of the person working out these human permutations and combinations to try and ensure that all juniors get a sufficient variety of work and that evidence of positive progress is rewarded with increased responsibility. In this connexion, informal reports from the seniors are invaluable and, if not voluntarily forthcoming, should be solicited. To what extent, in terms of responsibility, the junior should advance, must necessarily depend on the conditions obtaining in each office. The number of clerks available and the volume, size and degree of complexity of the firm's audits are all factors to be taken into consideration, but 'hasten slowly' is a good motto in connexion with accountancy and, if it is possible to generalize, no clerk should ever be put in charge of any considerable audit until he has passed his Intermediate examination.

Studying for Examinations

While the work of the junior in the office or out on audit can thus satisfactorily be accounted for, the progress of his examination studies cannot so easily be estimated. If practicable, the younger juniors should be sent out of town as seldom as possible as strange surroundings seem to play havoc with their powers of concentration and correspondence course exercises seem to fall into arrears. Further, if this is not a counsel of perfection, the geographical location of suburban audits to which these juniors are sent in relation to their homes should be considered so as to avoid late or unduly prolonged travel. Also, every facility for attending classes during office hours should willingly be granted. All juniors should be encouraged to consult seniors, managers, and even partners with study problems. The numbers and magnitude of these inquiries and the junior's own approach to them is likely to give some indication of his aptitude for his studies. If there is any reason to believe that the junior is in difficulty with, or is neglecting, these, his father or his tutors should be contacted immediately.

NORTH AMERICAN COMMENTARY–XXIII

Current Accounting Opinions in the United States and Canada

by KENNETH F. BYRD, M.A., B.Sc.(Econ.), A.C.A., C.A.(S.A.),
Professor of Accounting, McGill University, Montreal

(Illustrations by Eric Byrd)

Journal of Accountancy, New York, October 1950

Accountants and Tax Practice

DISCUSSING this subject of perennial controversy in some detail, the editorial urges that, while the accountant's first duty is to his client, his independence in signing a tax statement is as great as when he signs a financial statement. He must be as conscious of the government's interests as of the stockholder's or credit grantor's. Lawyers have argued that the taxpayer needs an advocate so that the accountant's independence disqualifies him. The editorial counters this with the opinion that the true attitude is to regard the payment of tax as a civic duty and not 'in the spirit of an adversary proceeding'.

Group Life Insurance for Accountants

The American Institute of Accountants is congratulated on the services offered to its members by the group life insurance plan adopted by it three years ago, covering partners and employees of firms in its membership.

Business Income

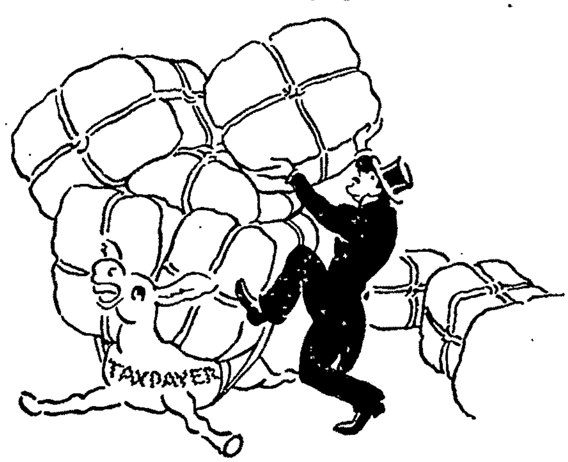
The American Institute's study group, comprising business men, economists, students of finance and C.P.A.s has, after three years' study of the nature of business income, published a further 'Five monographs on business income'. After a comprehensive discussion the editorial concludes that (1) there is no one concept of corporate income appropriate for all purposes, e.g. regulated utilities, heavy and lighter industries; (2) accountants should see that supplementary explanations are given to assist readers in forming their own judgments from income statements.

C.P.A.s in Military Service

The editorial comments favourably on attempts to assign to the following duties, accountants recalled for military service as Finance Corps officers: (1) with an Army Regional Accounts Office; (2) with the Army Audit Agency; (3) in the office of the Chief of Finance, Special Financial Services Division.

Excess Profits Tax

With the Korean war looming ever more seriously the editorial reviews the desirability of an excess profits tax. With the statement that E.P.T. removes the incentive to keep costs down and is gravely inequitable in its arbitrary selection of a base period, the opinion is given that regular income-taxes would probably spread the load more



'Spreading the load more evenly'

evenly without half the complications. Readers are asked to give their views for reference to the American Institute's committee, in the hope of developing wide popular support for any better system.

The Forces in Accountancy Development

Among the main influences on accounting in the United States, Professor T. H. Sanders of the Graduate School of Business Administration, Harvard University, includes, (1) the bulletins of the American Institute since 1939, and the general statement of standards and concepts of the American Accounting Association. He hails the latter as an academic 'thinking group', an excellent stimulant and corrective to the practising group; (2) the Securities and Exchange Commission, hitherto liberal in its attitude, though fears are expressed that it may become restrictive of freedom. It is considered that full disclosure should make unnecessary the required adherence to absolute rigidity of form; (3) tax regulations with their

growing divergence from generally accepted principles; (4) a growing appreciation of the increasing limitations of accuracy to be attributed to figures in accounting,

> 'a technique which uses the symbols of certainty though experience warns . . . that they are delusive';

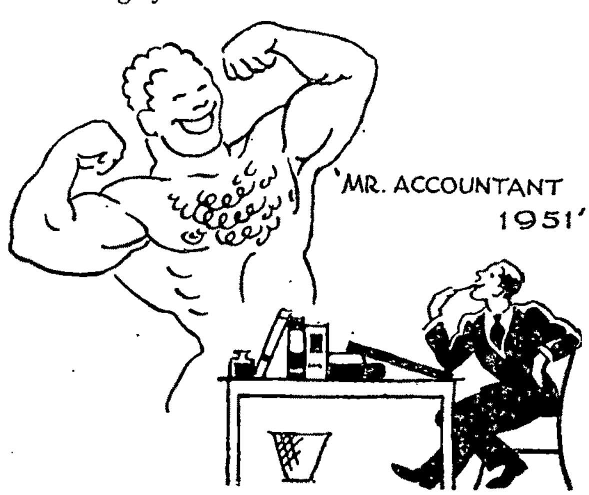
(5) the significance of pension plans in the calculation of production costs.

Business Experience for Controllers

Mr C. J. Jarchow, President, American Steel Industries Inc, Chicago, tells of the necessity for a controller to know all phases of a business. His company's practice is to give college graduates with major in accounting three years' training in the manufacturing departments and one in the general office.

Comptroller Organizations in Military Departments

Comptroller organizations have been set up in all three military departments, says Lieut.-Gen. Edwin H. Rawlings, Comptroller of the Air Force. Great strides have been made towards the establishment of controls comparable to the best in the business world. Co-operation of accountants is required for the development of sound cost accounting systems.



'Accounting must be dynamic and virile'

The Leasing of Capital Assets

In a historical review of developments over the last fifty years, Mr S. J. Broad, C.P.A., chairman of the Committee on Accounting Procedure of the American Institute, instances the leasing of large capital assets as a far-reaching development in financial policy resulting from the present-day shortage of equity capital. In all but legal form the benefits, responsibilities, and risks of ownership are assumed by the tenant for a long period of years until ultimate legal ownership results. In financial reporting increased attention to long-term liabilities will therefore be necessary. Speaking of the loss of significance of historical cost, with the intrusion of price inflation into a situation where cost had come to be regarded almost as a virtue in itself, Mr Broad warns that

> 'accounting must be dynamic and virile, not static and placid'.

Auditors' Reports

Charging auditors with complication, obscurity, and tiresomeness in their reports, Mr Frank V. Russell, C.P.A., urges the absolute necessity for inclusion of a funds statement to answer the question 'I have made so much profit, but where is it?' He also considers that the accountant should comment separately on insurance coverage discussing with his client any under- or over-coverage.

Industrial Pension Plans

Professor Paul Kircher, C.P.A., of the School of Business, University of Chicago, makes a penetrating analysis of the problems involved in accounting for pensions, a subject which looms on the accounting horizon as among the most significant developments of our time. He points out that, economically, hope must lie in continued expansion of the national output. Pensions must be regarded as, in a sense, a forced saving to make more capital available for investment, and Professor Kircher indicates that investment problems are likely to be most serious. Thus Bell Telephone Company's pensions reserve is over $1,100,000,000 and is growing at the rate of more than $100,000,000 a year.

The Canadian Chartered Accountant, Toronto, November 1950

The Meaning of Cost

This is the subject of the Dominion Association's latest Bulletin No. 5. Conclusions are that (1) the method of cost determination should be selected to give the fairest matching of costs against revenues. If the selling price of the finished product varies concurrently with the raw material price, the LIFO method may be appropriate; (2) where the method used results in a cost figure materially different from recent cost the method should be disclosed on the financial statements; (3) full disclosure should be made of any change in method which materially affects the profit and loss statement or the balance sheet.

THE USE OF PUBLISHED ACCOUNTS–IV

AN ACCOUNTANT'S OPINIONS

by W. H. LAWSON, C.B.E., B.A., F.C.A.

In this article the author gives the opinions of an accountant on the three addresses under the general title of 'The use of published accounts'. The viewpoint of an investor was described by Mr H. Nutcombe Hume, C.B.E., M.C., Chairman of The Charterhouse Investment Trust Ltd; that of an economist by Mr Roland Bird, Deputy Editor of 'The Economist'; and that of a creditor by Mr L. C. Mather, Assistant General Manager, Midland Bank Ltd. These addresses were reproduced in our issues dated December 16th, 1950, February 3rd and April 7th, 1951.

I HAVE been asked to give the views of an accountant on the points raised in the three stimulating addresses which we have had this session on the use of published accounts, and in so doing I must emphasize the words *an accountant*. Some of the matters with which I have to deal are difficult and contentious and there is no unanimity of view about them within the profession.

The first paper was from Mr H. Nutcombe Hume, chairman of the Charterhouse Investment Trust Ltd, who spoke from the point of view of an investor; the second was from Mr L. C. Mather, Assistant General Manager of the Midland Bank Ltd, who spoke from the point of view of a creditor; and the third was from Mr Roland Bird, Deputy Editor of *The Economist*, who spoke from the point of view of an economist or, as he preferred to style himself, an economic journalist.

The first two papers advocated no fundamental changes in present accountancy principles and their criticisms were directed mainly to specific points in published accounts.

Mr Roland Bird, however, challenged the fundamental principles of present accountancy practice and advocated far-reaching changes based on the economic definition of profits. If I am to give any sort of answer to his paper it will be necessary to devote to it much of the time which is available this evening and, even so, it will be difficult to cover such a wide subject adequately.

Secret Reserves

Dealing first with Mr Hume's paper, I was a little surprised to find him suggesting that in the interests of proprietors and the public there should be some degree of averaging of profits by the holding and utilization of secret reserves. In an earlier part of his paper he rightly referred to the importance to an investor of a clear statement of the trend of profits, and he stressed the advantages to be derived from the tabulated statements covering the results of several past years which are sometimes supplied in the directors' report or chairman's statement. It is difficult to see how statements showing the trend of profits could be of much value if the figures have been distorted by the adjustment of secret reserves. However that may be, the provisions of the Companies Act leave no discretion in this matter except as regards banks and other companies specifically exempted.

Stock and Work in Progress

Then Mr Hume asked that fuller information should be given in annual accounts with regard to the basis of valuation of stock and work in progress. The same point was made forcibly by Mr Roland Bird who went so far as to say that the only demand now is that practice should be consistent – whether consistently right or consistently wrong matters not.

Mr Mather also referred to this matter and suggested that there should be a subdivision in the balance sheet as between materials, work in progress, finished goods, packing, etc.

We have had a good deal of advice on this subject – first from the Institute's recommendation No. X of June 1945,[1] and later from a detailed paper read by Mr Goult at the Institute's Oxford summer course in 1949.[2] This paper constitutes almost a text-book on the audit and valuation of stock in trade and work in progress. It may be that we ought to refresh our memories of these documents in view of the demand for improved practice in respect of this item in the accounts.

The problem, however, is not without its difficulties. The Institute's recommendation No. X requires that, normally, stock shall be valued at cost or market value, whichever is the lower, but there are various ways of arriving at cost. In particular, there is no agreement as to whether, in valuing work in progress, overheads should be added to the prime cost of materials and labour. It is questionable, however, whether there would be much advantage in disclosing the particular method of cost adopted – provided it is consistently applied. Such information, in itself, would be of little value unless particulars

A lecture delivered to the London and District Society of Chartered Accountants on February 13th, 1951.

1 'The Valuation of Stock-in-trade', *The Accountant*, June 16th, 1945.

2 'Stock-in-trade and the Auditor', by Garfield G. Goult, F.C.A., *The Accountant*, August 13th and 20th, 1949.

were given which would enable the reader to compare the effect of the method chosen with the various other methods that might have been applied – which would be an impossibility.

Whatever basis of cost is used, however, it is necessary, in many businesses, to make substantial deductions from cost to provide for estimated losses on obsolete, slow-moving and unbalanced stock. Different views may be held as to whether such provisions as these, involving a high degree of estimation, should be disclosed, but the Cohen Committee, who were in a good position to judge, decided against making this obligatory and their recommendation was incorporated in the Companies Act, 1948. There is, however, a great responsibility on directors to exercise careful judgment in deciding whether these stock provisions are adequate but at the same time not more than is reasonably necessary, and it is the auditors' responsibility to see that what the directors have done is reasonable and that they have grounds for the view they have taken.

The present high scarcity values for certain commodities carry with them great risks and where it is considered necessary to make a substantial provision in the accounts, it is to be hoped that the Inland Revenue will, in accordance with the Institute's recommendations to the Tucker Committee, allow the same basis to be adopted for taxation purposes. Personally, I should like to see the Inland Revenue, in appropriate cases, allow basic stocks to be carried at low prices or, alternatively, relief or deferment of taxation in respect of some percentage allowance calculated on the cost of stocks held at the balance sheet date.

Delay in Publishing Accounts

Then Mr Hume referred to the delay in issuing the accounts of public companies and this point was also made by Mr Mather. Mr Hume said that a check over thirty-six companies showed that the average time-lag in the issue of published accounts is now about four months, compared with an average of two months in America. I think it is fair to say that time-lags have been reduced in the last year or two since there has been some relief from the acute shortage of accounting staff which prevailed both in industry and practice immediately after the war. No doubt the introduction of the Companies Act was a temporary factor making for delay, but now that its provisions have been well assimilated and the accounts of limited companies brought into a general pattern consistent with the Act, I do not think this is generally any longer true. Mr Hume suggested that the practice of closing the accounts of subsidiary companies on the same date as the holding company contributed to delay, but complications resulting from having different closing dates would, in my view, outweigh any apparent saving in time. In many businesses the time taken to value stock is often the factor which determines the date of publication of the accounts, and here modern methods of standard costing and stock control, combined with a running inventory, might be helpful. The requirements of the Companies Act that three weeks' notice shall be given of general meetings delays the consideration of accounts by shareholders and I am inclined to think that this period is unnecessarily long.

Differences between Accountants and Economists

I now come to Mr Roland Bird's paper. There is talk from time to time of differences between accountants and economists. They work in different fields and it is natural that their outlook and needs should differ. Economists are concerned mainly with the national economy as a whole and, for that purpose, the financial structure of individual companies is of little importance. They think in terms of real assets and have no need to worry, as we must, with the respective claims and rights of creditors and preference and ordinary shareholders.

Mr Bird, after outlining the way in which his staff prepare the valuable statistics of the results of public companies which are published in *The Economist*, and having expressed thankfulness for small mercies in the shape of the Companies Act, proceeded to criticize in no uncertain terms the principles on which balance sheets and profit and loss accounts are prepared. He quoted a statement by Professor Hicks in the following terms:

> 'The purpose of income calculations in practical affairs is to give people an indication of the amount which they can consume without impoverishing themselves . . . a man's income is the maximum value which he can consume during a week and still be as well off at the end of the week as he was at the beginning.'

Mr Bird said that on these questions, published accounts are as little revealing as ever. He expressed the view that accounting conventions, which have served so well in the past, have been based on the implicit assumption of stable money and prices and that this assumption might not hold so satisfactorily in the future. He invited us to consider the prospect that prices might be embarking on a permanent rise and that money would be losing value by 10 per cent per annum. He detected, he said, an unwillingness among some accountants to contemplate this changed situation.

He proceeded to criticize the Institute's recommendation No. XII on the subject of 'Rising price levels in relation to accounts'[1] on the grounds that it seeks to reject as 'wrong in principle' suggestions based on respectable – though, he admitted, not universally accepted – economic argument. No one knows, he said, how much so-called profits of the last twelve years has consisted of capital consumption dressed up as income, and this dressing up of capital to look like income occurred in companies' profits, in taxation, in public accounts and in price

[1] *The Accountant*, January 15th, 1949.

policy. It was, in his view, one of the serious economic threats of our time as it enabled us to live on the past without noticing the fact that we were not as well off at the end of the week as we were at the beginning. In fact, he invited us to produce a new accounting technique by which the profits of the year would be arrived at after making good the loss due to monetary inflation.

Finally, he left us eight points of criticism of the form of present published accounts.

Questions to be Faced

Before dealing with these eight points let us examine the main problem quite broadly and consider the questions that would have to be faced before the new accountancy principles which Mr Bird suggests could be put into practice.

Prices

Many companies – possibly the majority – could not afford to make good a loss in the value of money of the scale of 10 per cent per annum without substantial price increases over and above those which would be necessary to earn profits on the conventional basis of accounting. Would there be the purchasing power available to meet these increased prices or would they merely result in a reduction in the quantities of goods sold and, consequently, an increase in cost? Alternatively, if wages were increased, thus providing greater purchasing power in the hands of the public, would not this be setting in motion an inflationary 'spiral'? Furthermore, is there a likelihood that any government would amend price controls to the extent that would be necessary?

In reply to a question Mr Bird said that export prices could be increased; but few companies would, I suggest, be willing to adopt an entirely new method of accountancy if its success was dependent upon obtaining a permanent increase in export prices. Moreover, prices cannot always be in an upward direction. Even if that were true for the country as a whole, there would still be ups and downs in the commodities with which particular companies were concerned.

Rights of shareholders and creditors

Let us suppose, however, that these difficulties with regard to prices could be overcome so that the requisite additional paper profits could be earned. How would these additional paper profits be apportioned between the different classes of capital? In the absence of any general legislation or change in articles of association, they would accrue wholly to the ordinary shareholders who, as a class, perhaps already come off a little better than other investors in times of inflation. Should they be singled out for further exceptional privileges or should these additional paper profits, as Mr Bird suggested in answer to a question, be made available partly to preference shareholders and even possibly debenture-holders? If such changes were made in the rights of shareholders and creditors, how would industrial securities stand in relation to Government securities? Could the Government permit a situation to continue in which all investments were protected against inflation except Government securities? Would they not have to revalue Government securities and savings bank deposits as well?

Taxation

Then there is the question of taxation. If taxes were computed by reference to the economic profits, would not this throw a great additional burden of taxation upon other sections of the community or result in higher rates of taxes?

In short, inflation seems to be a means (not a very equitable means) of distributing loss and reducing the standard of living of the country. If one section of the community, namely the investor, is to be protected against the effect of inflation, then this can only be done by placing a heavier burden in the form of higher prices and increased taxation upon the rest of the community. It seems difficult to believe that any government would be willing to take the necessary steps to protect investors as a whole, or any class of investors, against the effect of inflation. Would it not be more likely that a government willing to take such steps would so regulate its monetary policy as to prevent inflation taking place?

Proposed New Accountancy Principles

Mr Bird did not indicate what basis would be used for arriving at profits in the economic sense. I have been reading an extremely interesting article in the American *Journal of Accountancy* of December 1950, under the heading 'The case against price level adjustment in income determination'. This article sets out the three different methods advocated by economists for eliminating the distortion caused by inflation, namely, (1) replacement fund; (2) economic income; (3) units of purchasing power; and the authors explain, with extraordinary clarity, why in their view the adoption of any of these would do far more harm than good.

It is quite impossible, in the time allowed to me, to summarize the views expressed in this article, and it might, perhaps, have been more interesting if I had read you that article instead of addressing you myself.

I have had experience of yet another method adopted by a large international company which for many years kept its accounts in gold currency. In the end, this company was obliged – owing to inflation in the country with which it was mainly concerned – to abandon its novel method of accounting and to revert to conventional principles. However attractive therefore it may be in theory to adopt the economic concept of profits, the evidence seems to show that the disadvantages of so doing greatly outweigh the advantages.

I am of course aware that in countries where there has been a very marked degree of inflation, laws have been introduced permitting the writing up of

fixed assets and the utilization of these new values for calculating wear and tear for tax purposes. That once-for-all method of revaluation, however, falls far short of the proposals advocated by economists and involves no great accountancy complications.

Additional Information in Published Accounts

Mr Bird's eight points, with which I will now deal, seem to be directed to a more modest objective than a complete revision of present accountancy principles. They are concerned mainly with additional information which he would like to see given in published accounts. It may be, therefore, that in examining these eight points, we shall be able to find a little more common ground with Mr Bird and we are indebted to him for setting out those points with such clarity. In seeking to reach agreement with him on some of these matters we must, however, not lose sight of the fact that it is for the directors of companies to decide what additional information should be given and, with the wealth of material now provided under the Companies Act, many boards would be reluctant to provide additional facts unless they were convinced that there were compelling reasons for their so doing in the interests of their shareholders and the public.

Fixed assets

> 1. 'There ought to be a clear statement of the amount actually expended on new fixed assets, either by replacement or expansion, in each accounting period. . . . This is ten times more important than the statement of future liability under contracts for new capital expenditure.'

Here we have a difference of opinion between the economist and the business man. Mr Hume told us that an investor was not very interested in the balance sheet value of the fixed assets. He was concerned with what those assets would earn. Mr Mather was also less interested in fixed assets than current assets, and we all know that banks place a very low value on fixed assets when calculating security for an advance. However, as an accountant, I agree with Mr Bird that a clear statement of the annual expenditure on fixed assets might be more valuable than some of the information now given. It seems to me that the aggregate figures of original cost of fixed assets, without any division as to the years in which the expenditure was incurred, have little value in times of changing price levels.

In my view the provisions of the Eighth Schedule of the Companies Act, so far as they relate to fixed assets, mark an important, but not a final, stage in the evolution of the best practice in dealing with fixed assets in the balance sheet. It may be that when the time comes for a revision of the Eighth Schedule, these particular provisions should have further consideration. I should, however, say that future liabilities under contracts for new capital expenditure are a very important item for creditors and shareholders because of their bearing upon the liquidity of the business.

Inventory valuations

> 2. 'The state of practice about inventory valuations is, I think, almost deplorable. The only demand now is that practice should be consistent – whether consistently right or consistently wrong matters not. I suggest that the basis of valuation should be specifically stated in accounts, and that the LIFO–FIFO argument should be settled once for all – in favour of LIFO.'

I have, I think, already dealt with this question except as regards the 'LIFO–FIFO' argument. On that point I cannot do better than quote what the Federation of British Industries said about LIFO in their evidence before the Tucker Committee:

> 'The date on which the system is commenced is very important. If it is commenced in a period of high costs the stocks remain at that high cost so long as they remain at the same volume or less. If the system is commenced in a period of low costs the stocks remain at a low value so long as they remain equal in quantity or less. Therefore, although the system has merits from the economic aspect in mitigating severe fluctuations of stock values, and provided the volume of stock remains constant it does produce a true profit for the year, the initial difficulty of starting it and the recurring difficulty of catering for movements in volume of stocks, render it scarcely the most equitable method on which to base taxable profits until these defects can be overcome.'

Audit certificates

> 3. 'Accountants ought to be searching their hearts whether a certificate that endorses a set of accounts as showing a true and fair view is justifiable in circumstances that clearly involve a continuing dilution of the substance of industry.'

Any certificate recording a true and fair view must be based upon recognized accountancy principles. I think it is clear that at the present time 'true and fair' means true and fair in accordance with conventional accountancy principles and with the provisions of the Companies Act. If accounts were prepared in accordance with the economic concept of profits, a statement that such accounts were true and fair would still only be true in relation to the particular convention adopted.

The effect of rising prices

> 4. 'It ought to be possible to give in each set of accounts some indication of the effect of rising prices on profits – in other words, that part of the inflation of money symbols that does not in fact represent profit at all.'

I agree that the effect of a rise in prices on profits is not sufficiently recognized and misconception is increased by the ban placed upon the capitalization of reserves, so that published profits are inevitably compared with a capital which often has no relation to the real capital employed in the business. I doubt however, whether it is possible to express the effect of a rise in prices on profits in a single figure. It migh

be necessary to reconstruct the accounts in accordance with the economic concept of profits – a very formidable task for a large group of companies. Moreover, I am not entirely clear as to what economists mean by the effect of rise in prices on profits in the case of an individual company. How far would they take into account the fact that borrowed money would be repayable in depreciated currency? To take the extreme example of a nationalized industry financed entirely by loan stock: if the industry earned sufficient profits to provide for the interest and redemption of this loan stock, would the economists hold that it has, nevertheless, made a loss because of failure to provide for the full cost of replacement of its assets?

It seems to me, therefore, that the appropriate place for reference to the effect of inflation upon the profits of the company is in the chairman's speech.

Replacement costs

5. 'It ought to be possible to give some indication of the deficiency, if any, between the amounts charged for depreciation and set aside for additional costs of replacement, and the total expenditure that would be incurred in maintaining fixed equipment intact. That would not be an accounting figure so much as a memorandum.'

I agree that the additional cost of replacement is a relevant factor which has to be considered in determining dividend policy and future financial requirements. For this reason it is often necessary to make some reference, at least in general terms, to this question in a prospectus or public offer for sale. In the annual accounts it is, I think, a subject more appropriate to the chairman's speech and I doubt whether it is often practicable to give precise figures of the difference between the annual charge for depreciation and the amount which would have to be set aside to replace the assets.

Initial allowances

6. 'Mr Bird would like to see some serious attention to the treatment of initial allowances in published accounts.'

This question of initial allowances was considered by the Council in 1947 and an announcement was made on April 12th, 1947,[1] which was reaffirmed on March 11th, 1950,[2] after further consideration following the increase in the rate of initial allowances. The Council's recommendation was:

'(i) that normal methods of depreciation should be maintained so as to avoid any distortion of profits before taxation; and

(ii) the effect of initial allowances, deferred repairs and other allowances and charges arising from recent taxation legislation, if material, should be indicated.'

The Council added that the desirability or otherwise of transferring to reserve and spreading over a period of years the taxation benefit resulting from initial allowances is a matter of financial policy.

[1] *The Accountant*, April 12th, 1947.

[2] *The Accountant*, March 11th, 1950.

The Council has therefore made it clear that, in their view, the effect of initial allowances should be indicated in the accounts and I believe, in a large majority of cases, this is done. The matter is, however, not free from difficulty. The initial allowances for profits tax relate to expenditure in a different year from that which is applicable to income-tax based on the profits for the year. Furthermore, if a higher rate of depreciation is charged in the accounts than the annual wear and tear allowances, the benefit from initial allowances will, to that extent, be offset.

Initial allowances form part of a general question involving the difference which exists between commercial and taxable profits. That difference is ascertainable from annual accounts though it is usually necessary to do quite an amount of arithmetic in order to arrive at the figure. If this is considered to be of sufficient importance, it would be quite easy to express this difference in simple terms by calculating the standard rate of tax for the company after taking into account the profits tax on the distributed dividends and to compare it with the rate of tax actually provided in the accounts.

Standardization of accounts

7. 'Mr Bird suggests that there is still room for greater standardization of presentation of published accounts.'

I know that there are different views on this subject but, personally, I am against too much standardization because I think there is still a long way to go to improving published accounts, and these improvements are more likely to take place if freedom is allowed to progressive thinkers to apply their ideas in the accounts for which they are responsible.

Turnover

8. 'Mr Bird says we still need total turnover and costs of sales to make published accounts really useful.'

Some accountants would like to see the figures of sales and costs of sales shown. It would make a more complete and tidy-looking profit and loss account but it is questionable whether the general disclosure of these figures would be very valuable. For instance, company A. might be producing a finished product through all stages from the raw material whereas company B., selling precisely the same product, might be operating the final process only. As regards the products of company A., no sale would arise until the final stage of production, but in respect of company B., a sale might arise at each stage because these earlier operations would have been carried out by other companies. A comparison of profits with sales can, therefore, be most misleading unless full information is available as to the different processes of manufacture undertaken before the finished product is sold.

Conclusion

Finally, I should like to refer to an article which appeared in *The Economist* of January 27th, 1951,

under the heading 'Profits and replacements'. In the opening paragraph of this article it is stated:

'With each month that passes it becomes more and more desirable that accountants and economists should find an agreed definition of what profits are.'

I am doubtful whether accountants will ever be able to accept an economic definition of profits if that definition is based upon the hypothesis that there will be a permanent rise in prices and if it ignores the financial structure of individual companies. However suitable such a definition might be for the purpose of national statistics, it cannot, in my view, be suitable for adoption by business enterprises which must take into account liabilities as well as assets and the fact that even during periods of general price increases, there may be temporary reductions and wide fluctuations in price of particular commodities.

Moreover, it is not only accountants and economists who have to be consulted on these matters but also business men who are responsible for management. There is no indication that industry as a whole would be willing to incur the additional risks which would be involved in adopting a definition of profits, which would make it much more difficult to maintain profits and to ensure solvency in bad times as well as good. In its evidence before the Tucker Committee, the Federation of British Industries were careful to stress that they were not concerned with the revision of conventional accountancy principles but with relief from taxation – quite another matter.

However, in so far as economists are concerned only with information to be provided in published accounts within the framework of the present accountancy principles, there is, I think, more common ground between us and I have endeavoured, in answering Mr Bird's eight points, to indicate where I think that common ground may lie.

Finally, I am afraid that this paper raises more questions than it answers, but I hope it will have helped to stimulate thought on these difficult questions and to clarify some of the points at issue between accountants and economists.

WEEKLY NOTES

Higher Passenger Fares

In addition to working out a long-term schedule of charges for road and rail transport, the British Transport Commission is at present faced with the chronic problem of making ends meet. Its task is made the more difficult by the continued rise in costs. In consequence it is exceedingly difficult to keep current expenditure covered and make some progress towards reducing its accumulated deficit. (This was about £40 million to the end of 1950.)

This week the Commission's draft passenger charges scheme for 1951 was published. It asks for increases in passenger fares from 10 to 20 per cent. Since the object is to obtain revenue quickly, it has been found judicious (at least so it would seem from the increases proposed) to call for higher fares in those categories and in those areas where there could be as little diversion of traffic as possible to other forms of transport – namely, in-season tickets and in the London area. Since this scheme will have to be considered by the Transport Tribunal any advantages from it will not accrue fully in 1951.

Before summarizing the estimated effect on revenue, it may be helpful to place this application against the background of other recent increases. A statutory charges scheme affecting the London area was vetted by the tribunal towards the end of last year. The freight charges scheme last year was dealt with under emergency procedure by the Tribunal. This is therefore the second statutory scheme to face the full procedure laid down under the Transport Act. Recent increases in cost, such as the recent wages awards, higher coal prices and so on have quite outstripped the estimates of expenditure on which the two requests for increase mentioned above were based. In consequence, in January, the Commission faced a deficit on the net revenue account so far as the railways were concerned of £25 million for 1951. This estimate took account of anticipated economies but not of sums required to deal with accumulated deficits and reserves.

Immediate and partial relief has been granted by the Ministry of Transport by a 10 per cent increase in freight rates, parcel rates and dock and canal charges as from April 9th. This should fetch about £15 million this year. In a full year the higher passenger charges would bring in if granted, about £17 million. This year, the Commission will be lucky if it gets half this sum after allowing for delays in hearing the case. It therefore remains problematical whether these increases taken together will close the gap. In addition, the Budget has added over £3 million more on to operating costs.

Raw Materials Outlook

One of the few outstanding features in a somewhat colourless Budget debate this week has been the reiteration by the President of the Board of Trade of the seriousness of the country's raw materials position. 'I am bound to tell the Committee', he said on Monday, 'that the raw materials position has not improved since the House last debated it.' He then enumerated the most critical cases – sulphur and cotton. Later on, he added that the outlook in the non-ferrous metals was worse than when the last debate took place.

Cotton is a key material for clothing a wide section of the home market and equally important as a major contributor to the export drive. The non-ferrous metals and sulphur are wanted in varying quantities

in a wide range of industries. The non-ferrous group are key materials in the vital engineering industry. Sulphur and its derivative, sulphuric acid, are required in many industries. If there is a rather better supply of sulphur from the United States in the second quarter of the year than there was in the first (it will be recalled that it has been the decision of the American Government to ration exports of sulphur in the interests of its own defence programme which has caused the present tight supply situation) the more extreme cuts in supplies to industry will be avoided. The chances of this happening seem just better than evens – and no more than that. In any case, the Government has decided to proceed with an allocation scheme at the beginning of next month and to ration sulphur and sulphuric acid, industry by industry.

Serious Trade Gap

Provisional trade figures for March were released by The President of the Board of Trade on Monday. They show that the visible adverse balance leaped upward last month by about £30 million to give the largest gap for any month since the war. Imports were £303 million compared with £247 million in February. Exports increased from £183 million to £207 million. The higher figure for exports was swollen however by a large increase in re-exports. The gap was thus £96 million.

There are two disturbing features about these statistics. First, there is the very large increase in imports which is a direct result of higher prices. On the other hand, there is the comparatively poor showing by exports. It is quite clear that there is still no margin for relaxing the export drive and that where there may be any margin for an increase in the price of exports, full advantage must be taken of it.

It is true that export prices have been rising lately. But evidence is also accumulating now to show that some other countries in Europe have been more successful than we have in adapting their export policy to post-devaluation conditions. The Swiss and the French, to mention only two, have given less away – particularly in the American market – than has this country so far as export prices are concerned.

State Film Corporation

The annual report of the National Film Finance Corporation shows that its resources, so far as capital is concerned, are coming to an end. After about the middle of this year it is probable that funds will be available for financing new productions only out of income from previous investments – unless further capital is provided.

As the Rank Organization's experience showed in the past, and as the Corporation's record is now beginning to indicate, there is no limit to the amount of finance which the British film industry can absorb so long as it tries to make films at a cost which the market cannot justify, or at least to make enough of them to absorb more than the profits made on the others. It is doubtful too if there can ever be a long-term solution to the industry's woes until a serious attempt is made to reform the present complex issues surrounding the production, distributing and renting of films.

It is unfortunate for the Corporation, however, that its funds are beginning to run out just when it can reasonably expect to offer some proof that its efforts to cut filming costs have met with some success. But even a common-sense approach to the problem in this quarter can hardly be made into an argument for a chronic subsidy to the film producing industry.

Rising Productivity

Much attention has been given by the Chancellor of the Exchequer and other Government spokesmen in recent weeks to the need to raise output this year. It is estimated that there should be an increase of the order of 4 per cent – provided that there are no serious interruptions caused by lack of raw materials.

When the figures for January production were announced recently (as estimated by the two well-known indices of industrial production) it seemed that a slight setback had already occurred if comparison were made with the results a year ago. It was possible to argue, of course, that any slight diminution of activity could be due to the severity of the winter affecting certain trades (such as building). But it seemed that there was something in the idea that a shortage of certain raw materials was already having an effect.

February's results, however, make it exceedingly difficult to see as yet any clear trend developing for 1951. According to the industrial index published by the London and Cambridge Economic Service, the seasonal recovery in February was greater than in the same month a year ago. There was an increase over January of 5 per cent compared with 3 per cent last year. Over January and February, therefore, it is possible that activity was running slightly ahead of the target. This is almost certainly going to be essential for a month or two if an average rate of increase of 4 per cent over the year is to be maintained. Only if raw materials are easier to come by in the months ahead will it be possible to expect a figure of 4 per cent to be improved upon or even held in the second half of the year.

The Accountants' Diaries, 1897-1901: Wanted by the American Institute of Accountants

The Committee on History of the American Institute of Accountants would like to know whether copies of *The Accountants' Diary* for any of the years 1897 to 1901 are still in existence. If any readers can help, will they kindly write to the Editor, *The Accountant*, 4 Drapers' Gardens, Throgmorton Avenue, London, EC2.

FINANCE AND COMMERCE

Persistent demand for well-covered industrial equities has provided the outstanding feature of stock markets since the Budget. The demand reflects investment opinion that the Budget makes no real nor adequate attempt to check inflation and that the increase in distributed profits tax will prove little hindrance to those concerns already paying ordinary dividends on a most conservative scale. Renewed emphasis of the raw material shortage problem has only served to strengthen the opinion that the grip of inflation will have tightened considerably later in the year. Meanwhile British Government stocks are forced to still lower levels by small but pressing sales.

Leyland's Example

This week's reprint gives the accounts of Leyland Motors Ltd, a name that needs no introduction. We have for space reasons omitted the parent balance sheet, which differs in total by only about £250,000 from the consolidation, but have included the two very important statistical tables, giving, among other things, turnover and certain aspects of costs. These tables are particularly interesting in view of the attention recently drawn to the provision of information on these lines in America, notably in the reprinted accounts of the Caterpillar Tractor Company.

Leyland Motors introduced these tables last year when Mr C. Basil Nixon, the chairman, expressed the hope that 'other companies would adopt this desirable and common American practice'. In his review with the present accounts, he adds, 'I still hope they will do so'.

Now the Leyland Motors' example is given the wider publicity of this column, it should be studied by accountants and company executives and attention given to Mr Nixon's exhortations. The tables need no elaboration or comment here. They are worth serious consideration by all those responsible for the presentation of public company accounts.

Earning a 'Hoover'

We hear so much these days of rising prices and the inflationary spiral that it is good to be able to record one item in general use which has been substantially deflated in value – value, that is, in terms of effort required to obtain it. The extent of this deflation is measured by Sir Charles Colston, chairman of Hoover Ltd, in his review with the accounts for the year to December 31st, 1950.

Excluding the element of purchase tax, which is of course outside the company's control, Sir Charles shows that a miner in 1950 could earn a Hoover cleaner in 104 hours against 212 hours in 1938. The engineer managed it in 99 hours as against 207. Agricultural workers had to work for 143 hours against 385 and clerical workers 136 hours against 274 to obtain the easing of labour for their housewives which the electric cleaner provides.

There has, admittedly, been an increase in the price of the Hoover product. The average retail price, which in 1938 was about £13 2*s* 0*d*, was about £14 5*s* 0*d* in 1950, but the percentage increase of less than 10 per cent compares with a rise in the general price level in the twelve years of approximately 110 per cent. Sir Charles does not indicate to what extent a cut in the margin of profit has helped, but the prime factor would appear to be the increased efficiency of the company's methods of production.

Upset Plans

The plans of Vauxhall Motors Ltd, referred to by the chairman last year, for lowering costs by improved machinery, better tools and layouts, have failed to mature. This modernization plan was going to cost upwards of £10,000,000. They spend money on a big scale in the motor industry. Much of the plan was accomplished. A 19-acre factory has been erected equipped with the best modern machinery. Layouts and methods have been reorganized to enable bigger output from the same number of workers.

Now has come the sheet steel shortage (among other things) which has cut the 1951 production rate some 20 per cent on the 1950 level – a fatal development for an industry 'where volume – constant and high volume – is its very life-blood', as the chairman puts it. The company and its workpeople have agreed that the best thing to do for the time being is to operate a four-day week.

The following table taken from the 1950 accounts booklet gives a useful view of motor industry operation:

'Where the Money Goes'

This is a simple but informative statement showing how our total income was disbursed or allocated.

The Total Income from Sales and Investments in the year 1950 was £31,680,031

This was disbursed as follows:

	Amount	Percentage of Total Income
	£	
Purchase of raw, semi-finished and other materials and supplies, and general services such as light, power, rates, etc.	20,800,017	65·7
Wages and salaries	5,871,342	18·5
Employee benefit payments (pension fund, holiday pay, insurance, profit sharing, etc.)	862,254	2·7
Wear and tear of plant (depreciation) and special tool costs	1,268,570	4·0
Other miscellaneous items (debenture and loan interest, etc.)	85,936	·3
Income-taxes	1,690,417	5·3
Dividends to shareholders (net)	174,900	·6
Retained in the business	926,595	2·9
	£31,680,031	100·0

Money Market

Treasury bill applications totalled £351,195,000 on April 13th and the market obtained 59 per cent of its requirements. The average rate was 10*s* 2·67*d* per cent and this week's offer of bills is £240,000,000. There is a call of £25,000,000 against Treasury deposit receipts this week the receipts being of 154 days' maturity. Maturities are in the region of £45,000,000.

LEYLAND MOTORS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at September 30th, 1950

	1950 £	1949 £
Current Liabilities and Provisions:		
Trade and other Creditors	2,391,738	2,349,725
Provision for Taxation (*Note 1*)	1,631,496	1,413,954
Provision for Deferred Maintenance and Reinstatement	—	49,536
Provision for liabilities not yet ascertained	152,603	75,000
Preference Dividends for half year ended December 31st, 1950, *less* Income Tax	18,769	18,769
Proposed Ordinary Dividend *less* Income Tax	185,625	148,500
Proposed Distribution from Surplus on Sale of Fixed Assets (*Note 2*)	33,750	67,500
	4,413,981	4,122,984
Deferred Liabilities:		
Future Taxation (*Note 1*)	797,377	682,849
Pensions and Benevolent Fund	44,326	48,473
	841,703	731,322
Capital and Reserves:		
Capital Authorized and Issued:		
6 per cent Cumulative Preference Stock	200,000	200,000
7½ per cent Cumulative Preference Stock	750,000	750,000
Ordinary Stock	1,350,000	1,350,000
	2,300,000	2,300,000
Capital Reserves:		
Profits prior to incorporation	20,579	20,579
Provisional Excess Profits Tax Refund	177,341	177,341
Premium on Shares *less* Expenses	1,437,842	1,437,842
Surplus on Sale of Fixed Assets (*Note 2*)	324,042	349,805
Reserve retained out of Profits to Finance the replacement of Assets at rising prices (*Note 3*)	1,900,000	—
	3,859,804	1,985,567
Revenue Reserves:		
General Reserve	1,826,008	1,826,008
Reserve for future redundancy and decline in value of Stock and Work in Progress (*Note 3*)	—	1,000,000
Reserve for purchase and replacement of plant (*Note 3*)	—	400,000
Undivided Profits carried forward	534,325	526,269
	2,360,333	3,752,277
	£13,775,821	£12,892,150

		1950 £	1949 £
Current Assets:			
Cash at Bankers and in hand		1,155,088	1,113,616
British Government Securities (*Note 4*)		80,000	80,000
Dominion Government Securities not quoted in United Kingdom (*Note 4*)		12,970	12,930
Bills Receivable		141,131	166,969
Trade and other Debtors after providing for doubtful debts		2,696,050	2,202,768
Stock-in-Trade and Work in Progress at the lower of Cost or Market Value		7,121,823	6,951,668
		11,207,062	10,527,951
Trade Investments at Cost	£170,647		
Less Amount written off	51,771		
		118,876	124,279
Property and Plant (*Note 5*):			
Land and Buildings		1,188,494	1,010,385
Plant and Machinery		1,019,343	1,023,913
Works and Office Equipment		242,046	205,622
		2,449,883	2,239,920
		£13,775,821	£12,892,150

C. BASIL NIXON
HENRY SPURRIER } *Directors*

APPROXIMATE COMPARATIVE STATISTICAL TABLE

(Excluding Subsidiary Companies)

	1938	1948	1949	1950	Percentage increase over 1938
1. Nominal Ordinary Stock	£900,000	£1,350,000	£1,350,000	£1,350,000	50%
2. Equity Capital Employed	£2,058,564	£6,521,154	£7,015,759	£7,482,354	263%
3. Gross Turnover	£5,575,824	£12,478,502	£15,435,817	£15,721,213	182%
4. Depreciation	£82,701	£211,689	£229,977	£254,137	207%
5. Taxation	£227,141	£653,235	£874,257	£977,206	330%
6. Net Profit for year before appropriations	£416,120	£592,708	£674,097	£783,866	88%
7. Percentage Net profit (6) on Equity Capital (2)	20·2%	9·1%	9·6%	10·5%	
8. Percentage Net Profit (6) on Gross Turnover (3)	7·5%	4·7%	4·4%	5%	
9. Rate of Ordinary Dividend for £1 Unit	5/-	3/-	4/-	5/-	
10. Gross Ordinary Dividend	£225,000	£202,500	£270,000	£337,500	
11. Percentage Gross Ordinary Dividend (10) on Equity Capital (2)	10·9%	3·1%	3·8%	4·5%	
12. Percentage Gross Ordinary Dividend (10) on Gross Turnover (3)	4·03%	1·62%	1·75%	2·15%	

APPROXIMATE PRODUCTION AND WAGES

		1938	1948	1949	1950	Percentage Inc. or Dec. over 1938
Total Turnover		£5,575,824	£12,478,502	£15,435,817	£15,721,213	182% increase
Total Vehicle Invoiced Deliveries	(Quantity)	5,025	4,874	6,291	6,386	27% „
	(Value)	£4,549,636	£9,583,467	£12,341,522	£12,556,829	176% „
Home	(Quantity)	4,010	2,693	3,637	3,811	5% decrease
	(Value)	£3,564,931	£5,689,062	£7,220,625	£8,236,804	131% increase
Export	(Quantity)	1,015	2,181	2,654	2,575	153% „
	(Value)	£984,705	£3,894,405	£5,120,897	£4,320,025	339% „
Total Annual Wages on Hourly Rate		£1,103,665	£2,889,953	£2,975,517	£3,112,731	182% „
Number of Employees on Hourly Rate		5,989	8,265	8,057	7,788	30% „
Weekly Earnings per Employee on Hourly Rate		£3 10 10	£6 14 6	£7 2 0	£7 13 8	117% „
Turnover per £100 Wages on Hourly Rate		£505	£431	£518	£505	—

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Education for the Profession

SIR, – The Council of The Institute of Chartered Accountants has recently circulated a notice to members (CM.3) on the subject of education for the profession. It gives rise to the following thoughts:

1. The notice gives the impression that the Council is of the opinion that no improvement of the present system of education is either possible or desirable.
2. No hint is given in the notice that the views expressed are not necessarily held by every member of the profession.
3. Exception appears to be taken, amongst other things, to any proposal for raising the age of entry into articles from 16 to 18.
4. Employing any form of 'sandwich' principle of education also stands condemned.
5. It is implied that those of us who are qualified are a living proof of the efficiency of the present system.
6. It would be difficult for the independent observer to overlook entirely the fact that the profession has a vested interest in the continuation of the present system, which provides a cheap supply of labour for its offices.
7. The Council seems prepared to bring the whole weight of its official disapproval upon the name of anyone who does not agree with the 'official' view.

It might therefore be opportune to consider the following in connexion with the above:

1. Surely a liberal profession cannot hold that progress, change and improvement can stand still? We take the greatest care to avoid holding ourselves out as experts in fields not our own (e.g. stock valuation). Are we qualified educationists? Are we sure improvement is impossible?
2. Might not a matter of such grave importance be thrown open to the wider discussion and consideration of the whole membership, including both those 'in the profession' and those 'in commerce and industry'? Perhaps a 'case study' by the district societies might be a suitable method.
3. Solicitors take their articled pupils at 18 rather than at 16 without apparent detriment to their profession.
4. It is understood that the Scottish bodies employ the 'sandwich' principle with apparent success.
5. Brilliant men will rise to the top of any profession and will be found filling its council, no matter what the system of education. Others may survive the system of education without rising quite so high. There is no record of those whom the system may break or maim. Its successes are public knowledge. Its failures are buried in private grief.
6. It is understood that in South Africa, where European labour is in short supply, firms have been forced to pay economic salaries in order to attract any articled clerks at all. Presumably their scales of fees have been adjusted accordingly and they have survived. They have certainly rid themselves of any suspicion of a 'vested interest'.

In view of No. 7 above, you will perhaps understand, sir, the reason for my requesting the freedom of your columns to seek the views of those who may care to consider the above, and also my reason for signing myself merely

TRENTSIDE.

The Profession or Industry ?

SIR, – Some years have now elapsed since you published an article of mine under the above title (August 3rd, 1946). The problems facing newly-qualified accountants were no less then than they are now, as illustrated by Mr Swindlehurst's provocative essay published in your issue of April 7th. Indeed, this essay is not only provocative, it is also dogmatic, but of course we older members can overlook this aspect of his essay, for have not some of us, or indeed most of us, passed through the stage when we thought we had all the answers to life's problems? However, experience has taught us that truth is too vast a subject for one tiny soul to grasp in its entirety.

My object, sir, in replying to the opinions expressed in this essay, is to warn the younger readers of your journal against rushing into partnership in the hope that they will soon be whisked to the dizzy heights created by Mr Swindlehurst; to live a life of ease on the efforts of the so-called inferior brethren – the mere 'beasts of burden'.

The writer of this essay appears to be under the impression that the professional accountant is a sort of free-lance writer as free as the air he breathes. On the contrary, he is often more enslaved than his industrial colleague who, having bought or acquired a practice, is doomed to serve his clients for the rest of his working life. He cannot change them at will as the industrial accountant can change his employer. Why Mr Swindlehurst uses the word 'doomed' I am at a loss to understand, for surely the object of qualifying as an accountant is to render services to the community at large.

I hope chartered accountants in embryo will not be lead to believe that the best members are to be found amongst the so-called professional accountants. This is not so, for there are as many daily problems to be faced by the chief accountant of a large organization as there are in the offices of any of the large practising accountants. The status and value placed upon the services of chartered accountants are far higher in the minds of the general public

today than ever before, due, I believe, to the fact that the industrial accountant has raised the level of accountancy from that of the pen-pusher to the sanctuary of the board room. In short, the parasites have been supplanted by the financial experts directing and controlling industry.

Mr Swindlehurst is quite right when he says that the standard of pure knowledge is higher in the profession than in industry. This indeed is a compliment to the industrial accountant, who is satisfied not with 'pure knowledge' but with 'applied science'; here, perhaps, lies the clue. Let those students who are academically minded enter the offices of practising accountants and those who are practically minded join the ever-increasing band of industrial accountants whose efforts are daily increasing the reputation of accountants in the world at large.

Perhaps a final word of advice will not be out of place to Final students: do not form the habit of thinking that the industrial accountant and the practising accountant are two professions; they are merely facets of the same profession. Like a successful marriage, they are equal partners each fulfilling their own particular function to the common good. If both sides will contribute of their best and work together in close harmony, we have no need to fear the future of this great profession, or of the ability of its members to earn a reasonable and satisfactory livelihood.

Yours faithfully,

London, W1. H. A. ADAMS.

Income Tax: Pay Finally as you Earn

SIR, – The excellent article by Mr F. H. Hughes on 'Income tax for wage earners', which appeared in the issue of *The Accountant* of March 10th, prompts me to add another to the many which have appeared on the subject. Mr Hughes and I have been following the same line of thought in our pursuit of a better method of P.A.Y.E. through the medium of 'the effective rate of tax'. But I believe that the best method lies in making more drastic changes than he suggests.

As I understand it, an ideal method must

(*a*) be easily understood by employees;
(*b*) maintain secrecy of personal conditions;
(*c*) be worked with the minimum of clerical labour;
(*d*) not destroy incentive to work longer hours or to undertake dangerous or unpleasant duties;
(*e*) provide adequate safeguards for the Inland Revenue; and,
(*f*) be capable of easy adjustment to give relief and provide the revenue needed each year.

The present system, as Mr Hughes points out, falls short by various degrees of all these requirements but his suggested scheme is also deficient in some respects.

I believe that the time has arrived when many of the basic principles of Schedule E tax must be changed. Allowances of so many £'s, and a graduated scale of rate per £ cannot be simplified when dealing with weekly tax payments. Moreover, all our previous ideas have been related to a period of one year, with the consequent difficulty of periodical adjustment necessitating the accumulation of earnings and tax.

If, therefore, a satisfactory system could be devised whereby pay is finally taxed at the time of payment, much clerical labour would be saved, and, as there would be no tax to refund in the case of absences, unofficial strikes would tend to decrease.

The following method is therefore suggested:

1. In place of the present system of allowances and reduced rates for lower incomes, Parliament should authorize a basic table of 'effective rates of tax', somewhat on the lines of the table given below. Inspectors would be authorized to vary the scale to meet special circumstances on the basis of 1*d* in the effective rate for every £10 variation.

Earned income: effective rate of tax

Weekly income	Single person	Married No child	Married 1 child	Married 2 children	Married 3 children
Over	*s d*	*s d*	*s d*	*s d*	*s d*
£2 15*s*	1	—	—	—	—
£3	2	—	—	—	—
£3 10*s*	7	—	—	—	—
£4	8	—	—	—	—
£5	1 3	2	—	—	—
£6	1 9	7	—	—	—
£7	2 1	1 1	3	—	—
£8	2 4	1 5	8	2	—
£10	2 11	1 11	1 4	9	2
£12	3 8	2 7	1 9	1 4	10
£14	4 2	3 3	2 6	1 9	1 3
£16	4 7	3 9	3 1	2 5	1 9
£18–£20	4 10	4 2	3 7	2 10	2 4

2. At the commencement of each tax year Inspectors would provide employers with the scale of rate for each employee.

3. Each employee would be taxed according to the scale notified by the Inspector, and at the rate shown against his basic weekly rate of pay. If there was no basic weekly rate the average for the last year could be applied. Each worker would know the rate at the beginning of each year at which he would be taxed throughout the year irrespective of what extra amounts he earned in overtime.

4. Each week would be taxed by itself and there would be no accumulation. To compensate for any short weeks or weeks of absence, the tables have been slightly reduced from the effective rates upon the existing basis. The tax yield, however, will probably not be reduced, it may even be increased, as the result of increased incentives.

5. No year-end adjustment would be necessary except in cases of clerical error or change of circumstance.

6. No. P.45 would be needed but a P.9 record card would be kept showing weekly wage and deduction.

7. A similar arrangement could be devised to apply to monthly salary payments.

If it is considered that to fix the rate at the commencement of the year irrespective of actual earnings, is too drastic a change, the system could be varied by applying the scale of rates each week for the earnings

of the week. In this case incentive remains only so long as the earnings remain on the same step of the scale. Moreover, this variation would involve more clerical work.

It may be argued that this method is unfair to a worker who is away through illness, and who has borne tax on previous week's earnings. This point of view is the natural outcome of having been taxed on the yearly basis for such a long period. One might equally well argue that it is unfair for a worker away ill from April 6th to be deprived of some refund of tax paid in March. Whatever the tax period someone will have a complaint. The suggested method recognizes this defect and makes some recompense by slightly reducing the effective rates.

Yours faithfully,

Newcastle upon Tyne. A. V. BLUNT.

Hospital Costing in Scotland

SIR, – Perhaps you will permit me to make some comments on the remarks which followed my letter in your issue of March 24th.

A leading article on any subject is usually regarded as a factual and knowledgeable exposition of a high standard and I have no previous experience of anyone seeking to excuse its deficiencies solely on the grounds that it is a leading article; my quarrel with it was that it was a misleading article in that it fell far short of telling your readers what is the actual position of hospital costing in Scotland. I hope that my letter has done something to create a better understanding of this matter.

To say that the considered opinion of the Costing Sub-Committee of English Regional Board Treasurers that our Scottish system of costing is not reliable cannot lightly be turned aside because each member of that committee is a qualified and experienced accountant and at the same time to dismiss our system as being of no value *despite* the fact that it was conceived and is operated by another body of qualified and experienced accountants is surely transparently illogical. We have not claimed that our system is yet *wholly* reliable although as I have said we are making steady progress to that end but we are satisfied that it has proved its usefulness. It has provided an interesting study to one or two senior officials from the health service in the south who have seen it in operation at first hand here and we are not aware that they have scoffed at it.

It is interesting to know that many hospital authorities in England and Wales are as actively engaged as we are in endeavouring to find a system of costing that will provide all the answers. We are not unaware that a good deal of effort was devoted to this problem in the south even before the appointed day, and the announcement of its solution would interest us very much indeed.

Now one last word – the author of the article told us that in his opinion the solution of the problem will be found in the introduction of a system of accounts showing expenditure department by department, allied to a system of budgetary control. It should please him to learn that on April 1st departmental costing in several of the multi-purpose hospitals in Scotland will have commenced. And if any general criticism of our control in Scotland has been made – and it has – it is that it is already too tight.

Yours faithfully,

W. E. McCRACKEN.

Treasurer,

EASTERN REGIONAL

Broughty Ferry. HOSPITAL BOARD (SCOTLAND)

[We do not wish to prolong this correspondence, but it was obviously impossible in a leading article to discuss the position of hospital costing in Scotland in detail. – Editor.]

Distribution to Shareholders made out of Tax Reserve Certificate Interest

SIR, – The Revenue contend that payments of the nature indicated above are liable to sur-tax in the hands of the recipient. Their contention is based on the terms of the T.R.C. Prospectus, paragraph 1 (*b*) and (*d*), that the interest is applied in satisfaction of the tax and is not, therefore, available for distribution.

In actual book-keeping, the debit entry of the interest is applied as if in payment of the tax. The credit entry produces the figure which is labelled 'interest on tax reserve certificates', the disposal of which is the subject of this query.

Opinions of counsel have been seen both dissenting and supporting the Revenue contention so the position is obviously open to doubt. Have any of your readers had any experience on this point, and in particular have they ever taken the matter to appeal before the Special Commissioners?

Yours faithfully,

B.

The Late Rev. R. H. S. Gobbitt, M.B.E., M.A., A.C.A.

SIR, – I was sorry to see in your issue of April 7th that the Rev R. H. S. Gobbitt, M.B.E., M.A., A.C.A., had passed away. Besides being first in the Intermediate and second in the Final, he was also first in his Preliminary and, therefore, only just missed equalling the record of Mr V. H. Bayley, F.C.A. Incidentally, Mr A. W. John, A.C.A., was first in his Preliminary and Intermediate and fourth in his Final.

The Rev Gobbitt was extremely well-liked and respected by his parishioners in St Martin's, Bristol some friends of mine, formerly living 'twixt Severn and Wye, retired to his parish to live and they thought very highly of him.

In Part I of my autobiography, 'There is no seconder', circulated in October 1941, in giving the above examination results, I asked 'Who shall say whether he (Gobbitt) has not chosen the better part?'

Yours faithfully,

Newport, Mon. C. GORDON JOLLIFFE.

Refund to Purchaser for Returned Article

SIR, – Replying to Mr Collinson's letter in *The Accountant* of February 17th last, the answer here seems obvious. In effect, after taking cash discount, the customer paid £48 15*s* for the item charged at £50 and is, therefore, only entitled to receive a net credit note for £48 15*s*.

The question does, however, throw up an interesting point, because if a credit note is issued in full it may remain in the sales ledger as a credit balance for some time until a customer asks for a cheque to clear the account, and then it can quite easily be repaid in full.

Leaving aside the question of a deduction from credit note for out-of-pocket expenses incurred, in order to safeguard the above point the writer has always made a practice of having the 2½ per cent cash discount deducted from a credit note if the customer has previously paid and deducted this. Even on a continuing account this throws the onus on the customer's accounts department to deduct 2½ per cent of the amount of the current debits before deducting the net amount of the credit note when remitting.

Yours faithfully,
COMPANY SECRETARY.

Fixed Assets and Inflation

SIR, – Mr Norris (March 17th issue) is too severe. What I said in the issue of March 10th was that accounts must be prepared with due regard for the rights and interests of all concerned, and not merely for the benefit of economists. Mr Norris brushes this aside as being not a very useful contribution to the debate. Whether it is so or not possibly depends on whether the proposals put forward were meant to be practicable or not.

It is easy to accuse critics of failing to face the facts, but is Mr Norris sure that he does not lay himself open to this charge? He states that profits are not stated correctly – or legally – unless costs are expressed in money units of the same kind, and goes on to assert that 1938 £s and 1951 £s are different currencies. Surely the main difficulty is due to the very fact that they *are* legally still the same currency. If inflation became so acute that the currency had to be reformed, then legislation would be necessary to regulate the rights of all affected. In the meantime, any proposal for accounting for the present mild (but growing) state of inflation must be designed not to conflict with existing legal and equitable rights.

My chief criticism remains that too much attention is paid to fixed assets. Mr Norris's views on costs do not, however, appear to be restricted to depreciation. This raises some interesting possibilities. Does he, for example, hold that if, say, rent is paid under a pre-war lease, it should now be expressed in 1951 £s, and if so, how would he deal with the difference in his accounts? Or do I interpret his views too literally?

Yours faithfully,
London, EC2. A. R. ANDREW, A.C.A.

Share Registers

SIR, – Have any of your readers had experience of using loose-leaf share registers? In particular, I am interested in the following: (*a*) Are they in common use by public companies? (*b*) What security precautions are needed? Is it possible to use a 'locked' loose-leaf register?

Yours faithfully,
Bishopston, Bristol. L. C. WORRALL.

Accounting for Increased Replacement Costs: A Suggested Method

SIR, – A general rise in prices, as everyone knows, really means a fall in the value of money. This upsets the accuracy of accounting records, since money is being used as the measure of things. Properly speaking, not only does the money value of the assets of a business rise, but the money value of the capital, and, which is most important, the amount proper to be charged against revenue for depreciation of fixed assets.

With these things in mind, a simple illustration may help to answer this question: what part of a provision for replacement is a charge against profits, and what part is an appropriation?

Suppose a machine is purchased for £1,000, with an estimated life of ten years, and that it has no residual value, giving an annual depreciation charge, by the fixed instalment method, of £100. Suppose also that a gradual rise in prices increases the replacement cost by £100 a year. The amount proper to be charged against revenue in each year will be one-tenth of the current cost of replacement, that being the fairest estimate of the value of machinery 'used up' during the year. This also seems to accord with the legal view. Of this annual charge, £100 will be credited to depreciation account and the balance to 'increased cost of replacement account'. At the end of the ten years, the cost of replacement will be £2,000, but only £1,500 will have been provided – £1,000 on depreciation account and £500 on 'increased cost of replacement account'. For the remaining £500, profits may be appropriated, and credited (in case of a limited company) to capital reserve account; or additional capital may be raised. In either case the money value of capital is increased to correspond with the inflated money value of the new asset.

The simplicity of the example does not invalidate this procedure, which depends on the proper charge against revenue being made in each year according to the current price level. Admittedly there is still theoretic inaccuracy. This could only be avoided by altering all book values from time to time in proportion to some price index number or numbers, which might be more (or less) accurate, but would certainly be most inconvenient.

Yours faithfully,
J. W. MATTHEWS, A.S.A.A.
Brockley, London, SE4.

DEDUCTION OF INCOME TAX FROM DIVIDENDS, INTEREST, ETC., YEAR 1951–52

As the increase in income-tax from 9s to 9s 6d for the year 1951-52 was not announced until April 10th last, deductions of tax from payments made in the five days ending on that date will have been made at the old rate. The ways in which such under-deductions have to be dealt with is the subject of a circular and a statement issued by the Board of Inland Revenue on April 11th. The statement is reproduced below.

1. Under a Resolution of the House of Commons passed in Committee of Ways and Means on April 10th, 1951, and having statutory effect under the Provisional Collection of Taxes Act, 1913, the standard rate of income-tax imposed for the year commencing April 6th, 1951, is 9*s* 6*d* in the pound.

2. Accordingly, income-tax is deductible by reference to the rate of 9*s* 6*d* in the pound in respect of payments of dividends, interest, annuities, ground rents, rents payable under leases granted for a term exceeding fifty years, mineral rents and royalties, copyright royalties to persons not resident in the United Kingdom, patent royalties, etc., made on or after April 6th, 1951,[1] with the exception of

(*a*) payments, made out of taxed sources, which became due before April 6th, 1951, from which income-tax is deductible by reference to the rate in force at the time when the amount payable became due; and

(*b*) payments, made out of taxed sources, of rents payable under leases granted for a term exceeding fifty years, feu duties, bond interest, etc., due for the period ending on May 15th, 1951, in respect of lands and heritages in Scotland chargeable to tax under Schedule A, from which income-tax is deductible at the rate in force at the commencement of that period.

3. As regards payments (other than those mentioned in (*a*) and (*b*) in the preceding paragraph) made on or after April 6th, 1951, from which tax has been deducted by reference to a rate less than 9*s* 6*d* in the pound, the position is as follows:

Class I

(*a*) Dividends and interest from the public funds payable on or after April 6th, 1951.

(*b*) Dividends and interest from any public revenue other than that of the United Kingdom or from any body of persons not resident in the United Kingdom, entrusted to an agent in the United Kingdom for payment in the United Kingdom on or after April 6th, 1951, and also the like dividends or interest, which, although not entrusted to such an agent for payment, have been realized on or after that date through bankers, coupon dealers or other persons in the United Kingdom.

Bankers, agents or other persons who have made payments falling within this class since April 5th, 1951[2], and have deducted tax by reference to a rate less than 9*s* 6*d* in the pound will be required to furnish to the Commissioners of Inland Revenue lists containing the names and addresses of the persons to whom the payments have been made and the amounts of such payments.

Class II

(*a*) Preference dividends (as defined by Section 12 (4) of the Finance Act, 1930)[3], paid out of the profits or gains of companies in the United Kingdom.

(*b*) Interest, annuities and patent royalties, other than payments falling within Class I above.

(*c*) Copyright royalties paid to non-residents.

(*d*) Rents, mineral rents and royalties, etc., payable in respect of property in the United Kingdom which forms part of such concerns as mines, gasworks, waterworks, railways, etc., and is not charged to income-tax under Schedule A, and payments for wayleaves etc. for electric lines.

(*e*) Rents payable under leases granted for a term exceeding fifty years of property chargeable to income-tax under Schedule A and certain other annual payments charged on such property (e.g. rentcharges, fee farm rents and feu duties) falling due after April 5th, 1951 (or in Scotland after May 15th, 1951).

Where, before the passing of the Finance Act for the year, tax has been deducted from payments falling within this class by reference to a rate less than 9*s* 6*d* in the pound, the payer is authorized under Section 211 (2) of the Income Tax Act, 1918, to adjust the under-deduction by making a corresponding extra deduction from the next subsequent like payment made after the passing of the Finance Act. If there is no such further payment from which an adjusting deduction can be made, the payer is entitled to recover the amount under-deducted directly from the recipient of the payment from which the insufficient deduction was made.

Dividends, other than preference dividends, paid out of the profits or gains of companies in the United Kingdom

As regards dividends other than preference dividends the position is that the Income Tax Acts do not

[1] As regards payments of rent made by a tenant-occupier to his landlord, a note with respect to the deduction of tax from such payments will be found on the demand notes issued by collectors of taxes.

[2] April 9th in the case of a 'body of persons not resident in the United Kingdom' which has not in the past been treated as a 'foreign or colonial company, society, adventure or concern' for the purposes of Rule 7 of the Miscellaneous Rules applicable to Schedule D. The former expression is substituted for the latter in Rule 7 under a Resolution of the House of Commons passed on April 10th, 1951.

[3] The expression 'preference dividend' is defined as meaning (*a*) a dividend payable on a preferred share or preferred stock at a fixed gross rate per cent; or (*b*) where a dividend is payable on a preferred share or preferred stock partly at a fixed gross rate per cent and partly at a variable rate, such part of that dividend as is payable at a fixed gross rate per cent.

authorize any subsequent adjustment in respect of under-deductions of tax, but, by virtue of subsection (3) of Section 12 of the Finance Act, 1930, where tax has been deducted by reference to a rate less than 9*s* 6*d* in the pound, the net amount of any such dividend will be taken for all income-tax purposes to represent income of such an amount as, after deduction of tax by reference to the rate of 9*s* 6*d*, would be equal to the net amount paid.

Dividends affected by double taxation relief (Section 52 of the Finance (No. 2) Act, 1945)

In the case of both preference and ordinary dividends, where a 'net United Kingdom rate' has been computed for a dividend from which tax has been deducted at the rate of 9*s* in the pound instead of the correct standard rate of 9*s* 6*d* in the pound, dividend counterfoils for the next following dividend should contain a reference to the earlier understatement of the net United Kingdom rate. The net United Kingdom rate on the next following dividend referred to should be determined in the normal way, viz., the difference between the standard rate for the year and the rate of double taxation relief.

If further information is desired in particular cases, application should be made to the Secretary, Inland Revenue.

E. W. VERITY,
Secretary.

Inland Revenue,
Somerset House,
London, WC2.
April 11th, 1951.

TAXATION CASES

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in *The Annotated Tax Cases.*

In re Dowse

In the High Court of Justice (Chancery Division)
December 7th, 1950
(Before Mr Justice VAISEY)

Estate Duty – Option to purchase dwelling-house – House valued for estate duty without vacant possession – Whether same value applies to exercise of option – Finance Act, 1894, Section 7 (5).

The testatrix left her residuary estate on trust for sale, and in trust for her children in equal shares. She directed that if one or more of her three daughters should within six months after her death make a written offer for the purchase of her dwelling-house, the house was to be sold to the offerer 'at the value placed upon the same at my death for estate duty purposes or a price to be agreed upon with my trustees'. One of the testatrix's daughters gave written notice to the trustees on behalf of herself and of one of the other daughters to exercise the option to purchase the house, and at a subsequent date she indicated that they desired to purchase at the value fixed for estate duty purposes.

The testatrix had herself occupied the house with two of her daughters, and two values of the house were stated in the Inland Revenue affidavit. One was £1,400, the estimated market value with vacant possession as at the date of the testatrix's death, and the other was £800, the estimated value on the basis of a statement made by the Chancellor of the Exchequer in the House of Commons on May 18th, 1944. This statement was to the effect that if a house was owned and occupied by the deceased and a near relative, who was ordinarily resident with the deceased at the date of death, and remains in the house and has no other place of residence available, any increase in the market value of the house above the pre-war value was to be disregarded in so far as it could be realized only by a sale with vacant possession. The valuation on that basis was to be reviewed, however, if the house was sold or let within a reasonable period after the date of the death. The value agreed upon with the Estate Duty Office on this basis was £1,000.

One of the residuary legatees objected to the house being sold to the two sisters for that amount.

Held, that the two sisters were entitled to purchase the house for £1,000, subject to security to the trustees for a sum representing the amount of the additional value which might afterwards be placed upon the house for estate duty purposes over £1,000.

Owen *v.* Sassoon

In the High Court of Justice (Chancery Division)
March 6th, 1951
(Before Mr Justice WYNN-PARRY)

Income-tax – Lloyd's underwriter – Funds deposited at Lloyd's to safeguard claims – Whether income of funds a trading receipt – Income Tax Act, 1918, Schedule C, Rule 2 (d); Schedule D, Case I – Finance Act, 1940, Sections 21 (1), 60 (1).

The respondent was a member of a syndicate of underwriters at Lloyd's, dealing with both marine and non-marine business, and in accordance with the rules of Lloyd's, he had deposited securities to meet claims on policies underwritten by him and to meet liabilities on his account at Lloyd's. The securities were held by Lloyd's on trusts declared by a trust deed, there being one trust deed for the marine and another for the non-marine business. The income from the securities was payable to the respondent until Lloyd's received notice of any default by him on a claim. The respondent and the other names in the syndicate also agreed that all premiums and other money becoming payable to them should be held in trust so as to be available for meeting claims and other outgoings, and a premium trust deed was executed for this purpose. The respondent was not resident in the United Kingdom, and the investments representing the trust funds under the trust deed and the premium trust deed were securities which were exempt from tax while in the beneficial ownership of non-residents, except where the interest fell

to be treated as part of the profits of a trade or business.

The respondent admitted liability as to the premium trust deed, but contended that the income from the securities was not a part of his trading receipts as a member of the syndicate of underwriting members of Lloyd's, as the trust funds were not available for day-to-day use in the business, but for use only on his personal default. The Commissioners decided in his favour.

Held, that the income in question arose from capital that was employed in the respondent's business as a member of the syndicate, and was therefore a receipt of that business for tax purposes.

Standage Power Couplings Limited *v.* Commissioners of Inland Revenue
Commissioners of Inland Revenue *v.* Homo Metals Radiant Boiler Company Limited

In the High Court of Justice (Chancery Division)
March 6th, 1951
(Before Mr Justice WYNN-PARRY)

Profits tax – Abatement of profits – Carry forward of loss – Which relief to be given first – Finance Act, 1937, *Sections* 19 (1), 20 (1), 21 (1), *Schedule IV, paragraphs* 1, 2 (2) – *Finance Act,* 1947, *Sections* 33, 47.

Each of these cases was concerned with the question whether the abatement of profits directed by Section 33 of the Finance Act, 1947, should be made for a particular accounting period before setting against the profit of that period a loss brought forward from a previous accounting period, or whether the loss should be set against the profit before making the abatement.

In the first case the trading results of the business for profits tax purposes for the three chargeable accounting periods in question were as follows:

(*a*) For the period ended March 31st, 1947: loss £1,987.
(*b*) For the period ended March 31st, 1948: profit £1,714.
(*c*) For the period ended March 31st, 1949: profit £5,184.

In dealing with the carry-forward of the loss sustained in the first period, and in making the abatement, the Crown's method was (1) to set the loss of £1,987 against the profit of £1,714, and thus reduce the profit of the second period to nil; (2) to carry forward the balance of the loss, namely, £273, and thus reduce the profit of £5,184 to £4,911. This profit was then abated to £3,493 under Section 33 (2) of the Finance Act, 1947.

The company's method was (1) to abate the profit of £1,714 to nil; and (2) to abate the profit of £5,184 to £3,821; (3) to deduct from this abated profit the loss of £1,987, thus leaving a profit of £1,834 in the third chargeable accounting period.

In the second case the trading results for the chargeable accounting periods in question were as follows:

(*a*) For an accounting period prior to that which ended on June 30th, 1947, there was a loss of £950;
(*b*) For the period ended June 30th, 1948, there was a profit of £671.

The profit of £671 had to be apportioned under Section 47 (2) of the Finance Act, 1947, as at December 31st, 1946, and the tax payable for the whole accounting period had to be ascertained by computations on the bases therein set out. It was not disputed by the company that the loss of £950 had to be set against the profit apportioned to the first six months, namely, £335.

In relation to the computation for the second six months, the company contended that the profit apportioned to that period, namely, £336, should be wholly abated under Section 33 (1) of the Finance Act, 1947; and that the balance of the loss, namely, £615, was available to be set against the profit of the following chargeable accounting period.

The Crown contended that the loss, £950, should be set against the profit of £671, and that only the balance of loss then remaining, namely, £279, was available to be set off against the profit of the following chargeable accounting period.

The Special Commissioners decided in favour of the Crown in the first case, and against the Crown in the second case.

Held, that in both cases the loss should be set against the relevant profit before making any abatement under Section 33 of the Finance Act, 1947.

NOTES AND NOTICES

Personal

MESSRS CASH, STONE & Co, Chartered Accountants, of 48 Copthall Avenue, London, EC2, and of Southampton and Portsmouth, announce that Lieut.-Col. W. C. SMITH, D.S.O., M.C., F.C.A., has retired from the partnership following on his election as chairman and director of United Gas Industries Ltd. Lieut.-Col. W. C. SMITH will continue in practice from the above address and will be available in a consultative capacity. The style of the firm will remain unchanged.

MR ERIC G. D. ELWORTHY, Chartered Accountant, has resigned from the firm of Messrs PETERS, ELWORTHY & MOORE, of Norwich Union Buildings, Downing Street, Cambridge, in order to devote more time to his directorships. He will continue in practice as a consultant at 29 High Street, Stevenage, Herts.

MESSRS MAURICE E. BULLEY & Co, of 30 Midgate, Peterborough, announce that as from April 1st 1951, Mr J. S. OLLESON, A.A.C.C.A., A.C.I.S., has been admitted to partnership, the style of the firm remaining as before.

MESSRS COOPER-PARRY, HALL, DOUGHTY & Co, Chartered Accountants, of 102 Friar Gate, Derby, Burton-on-Trent, Ashbourne and Uttoxeter, regret to announce the retirement from the partnership of Mr RONALD MATTHEWS, F.C.A., on the grounds of ill-health. The practice will be continued by the remaining partners, Mr P. DOUGHTY, F.C.A., Mr J. L. ROSE, F.C.A., Mr W. E. BEDDINGTON, A.C.A., and Mr K. C. MAKINSON, A.C.A.

MR G. O. LIND, A.S.A.A., A.C.I.S., who has been carrying on practice under the style of LIND & Co, Incorporated Accountants, 338 Streatham High Road, SW16, announces that he has entered into partnership with Mr H. C. ALLEN, A.C.A., and Mr ROWLAND J. FEAKINS, A.S.A.A. The practice is to be continued under the style LIND & Co, Accountants and Auditors, at the same address.

MESSRS A. OWEN JOHN & Co, Chartered Accountants, of Mardy Chambers, 6 Wind Street, Swansea, announce that Mr H. WILSON THOMAS, A.C.A., A.S.A.A., and Mr J. A. BEVAN JONES, A.C.A., have been taken into partnership as from January 1st, 1951. The style of the firm will remain unchanged and the practice will be continued from the same address.

MESSRS RONALD GOODMAN & Co, Chartered Accountants, announce that on April 10th, 1951, they removed from 1–6 Ely Place, London, EC1, to St Andrew's House, Holborn Circus, London, EC1. Telephone: City 5616–7. The address of their Twickenham office remains unchanged at 342 Richmond Road, E. Twickenham, Middlesex.

MESSRS R. B. LEECH, E. W. EVANS and H. J. REDFERN announce that the partnership with Mr W. H. BLOUNT carried on under the name of LEECH, EVANS, BLOUNT & Co, at 3 South Place, Moorgate, EC2, was dissolved on March 31st, 1951. The practice will in future be carried on by Messrs R. B. LEECH, E. W. EVANS and H. J. REDFERN under the name of LEECH, EVANS & Co, Chartered Accountants, at the same address.

MESSRS SPICER & PEGLER, Chartered Accountants, of 19 Fenchurch Street, London, EC3, announce that they have taken into partnership Mr B. R. POLLOTT, A.C.A., and Mr H. S. ROSE, A.C.A., who have been associated with them for some years. The style of the firm will remain unchanged.

MESSRS SMITHSON, BLACKBURN & Co, Chartered Accountants, of Atlas Chambers, King Street, Leeds, announce that as from April 1st, 1951, they have admitted into partnership Mr THOMAS L. WARING, B.A., A.C.A., who served his articles with them and who has been, for some years, a senior member of their staff.

The Institute of Chartered Accountants in England and Wales

The following is a list of Associates elected to Fellowship and applicants admitted to membership at the Council meeting held on April 4th, 1951, who completed their Fellowship or Membership before April 17th.

Associates elected Fellows

Baxter, Wilfred Maitland; 1943, A.C.A.; (W. M. Baxter & Co), Park House Chambers, Princess Square, Plymouth.
Button, Noel Frank, B.A.; 1939, A.C.A.; (*Chantrey, Button & Co), Africa House, Kingsway, London, WC2.
Coulson, Edwin Tranmer; 1910, A.C.A.; (Robinson, Coulson, Jackson & Co), Alma Chambers, Scarborough, and at Filey and Kirbymoorside.
Cox, Stanley Charles William; 1934, A.C.A.; (Cox & Co), Englands Chambers, 61 Cape Hill, Smethwick, 40.
Downing, Arthur Edward; 1946, A.C.A.; (Viney, Price & Goodyear), 22 Ryder Street, St James's, London, SW1, and Empire House, St Martin's-le-Grand, London, EC1.
Gorden, Louis; 1940, A.C.A.; (Gorden, Craig & Co), 41 Whitehall, London, SW1.
Powell, Thomas Stanley; 1927, A.C.A.; (Messenger, Powell & Co), 18 Booth Street, Manchester, 2, and at London.
Thompson, Robert Arnold; 1937, A.C.A.; (Howard Jones, Thompson & Co), 23 High Street, Sutton Coldfield, Warwickshire, and at Birmingham.
Young, Harry; 1939, A.C.A.; (H. Young & Co), 46 Curzon Street, Mayfair, London, W1.

(Not in England and Wales)

Halsey, Edward James, B.A.; 1930, A.C.A.; (Price Waterhouse & Co) and (Price Waterhouse, Peat & Co), 2 Rue Toussoun Pacha (P.O. Box 712), Alexandria, Egypt, and at Cairo and Khartoum.

Admitted as Associates
(Not in Practice)

Bosworth, John Michael Worthington, with *Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London, EC2.
Cottey, Kenneth Francis, with *Evans, Peirson & Co, Portland House, 73 Basinghall Street, London, EC2.
Eabry, Kenneth Richard, with Wykes & Co, 24 Friar Lane, Leicester.
Elkington, Stephen Lumsden, with *Cooper Brothers & Co, 14 George Street, Mansion House, London, EC4.
Greatorex, Derrick Joseph, with Joseph Crossley & Sons, 55 Cross Street, Manchester, 16.
Leake, Leonard, with Wykes & Co, 24 Friar Lane, Leicester.
Mead, Gordon Ernest, with C. Stanley Dawson & Gordon, Woolwich Chambers, Fir Vale Road, Bournemouth.
Miller, Paul Maurice, 146 Overcliff Drive, Southbourne, Bournemouth.
Pattinson, John, with *Burston, Dimmock & Mason, 11A Cornhill, Bridgwater, Somerset.
Perry, Olive Mary, with W. Rowland Waller & Co, Temple Chambers, Temple Avenue, London, EC4.
Rolt, Peter Digby, with *Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London, EC2.
Shaw, Michael John Frederick, with Slater, Dominy & Swann, Sussex House, Hobson Street, Cambridge.

* placed against a Firm Name signifies that the Firm is not exclusively composed of members of the Institute.

Taylor, Peter Duncan, with Lysons, Haworth & Sankey, 71 King Street, Manchester, 2.
Tomlinson, Ronald Thomas, with F. I. Nickson (Frank I. Nickson & Co), 2 St John's Walk, Blackpool.

In Parliament

Festival Gardens: Accountants

Sir W. Smithers asked the Minister of Works the name of the firm of chartered accountants appointed to audit the accounts of the Festival Gardens; and who recommended this firm.

Mr Stokes: Yes. The firm of chartered accountants appointed to audit the accounts of Festival Gardens Ltd is Messrs Pannell, Crewdson and Hardy. The firm was recommended to the Board of Festival Gardens Ltd by the company's solicitors, Messrs Linklater and Paines and was appointed by the Board at their meeting on November 25th, 1949. If, however, the hon. Member wishes to know the name of the firm carrying out the investigation into the reasons why the financial commitments of the company have exceeded the estimates, it is Messrs Moores, Carson and Watson.

Hansard, April 10th, 1951. Written Answers, Col. 68.

Chelmsford Chartered Accountant Students

Chelmsford chartered accountant students held their second annual dinner at the County Hotel, Chelmsford, on Friday, April 6th. Members and guests, who included Messrs K. T. Boardman, A.C.A. (*President, East Anglian Society of Chartered Accountants*); R. Long (*H.M. Inspector of Taxes, Chelmsford*); C. O. Bending (*H.M. Inspector of Taxes*); and R. J. Carter, B.COM., F.C.A. (*Secretary, The Chartered Accountant Students' Society of London*), were welcomed by the chairman, Mr J. W. Alington, M.C., A.C.A., and by Mr D. V. House, F.C.A., a member of the Council of the Institute of Chartered Accountants.

Mr J. S. Nott, A.I.B., President of the Institute of Bankers, Chelmsford District, proposed the toast of the Institute, commenting on the excellent relations existing between bankers and accountants. In reply, Mr House emphasized the value of participation in Institute activities.

Mr A. R. Bird proposed the toast to the guests and Mr J. Wentworth-Day replied. Dr W. T. Taylor, D.SC., F.R.I.C., Principal of the Mid-Essex Technical College, proposed a toast to Chelmsford chartered accountant students, congratulating them on their programme of lectures during the past year; in his reply, Mr R. Barlow, A.C.A., Vice-Chairman, stressed the value of the work of student societies throughout the country. A student member, Mr R. Durgan, gave an excellent exhibition of conjuring which was well received. The Hon. Secretary of the committee which arranged the dinner is Mr J. D. Copsey, A.C.A.

Chartered Accountant Students' Society of London

The annual general meeting of the Chartered Accountant Students' Society will be held on Thursday, April 26th, at 5.30 p.m., in the Conference Hall of the Chartered Insurance Institute, 20 Aldermanbury, EC2.

The formal business of the meeting will be followed by an address by Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A., President of the Students' Society, on 'Today's problems as affecting students'. After the address the meeting will be thrown open for general discussion when it is hoped that as many members as possible will raise, and comment upon, matters of importance and difficulty to articled clerks, so that the discussion will again show the active interest which was evident at last year's annual meeting.

Our Weekly Problem

No. 41: Balance Sheet Adjustments

Charles Sidate was getting involved in adjustments to the balance sheet. It had been decided, after all, not to depreciate the stock by £1,000. He corrected the stock by deducting £1,000, and added £1,000 to the profit and loss balance. The proprietor had said he would take as remuneration two-thirds of the resultant total of the capital and liabilities side of the balance sheet. Charles deducted this amount from the profit and loss balance but showed the proprietor as a debtor for the amount. The total of the asset side of the balance sheet was now four times the other.

What was the original balance sheet total?

The answer will be published next week.

Answer to Problem No. 40: Mowing the Lawn

The timing was as follows:

6	minutes	at 3 m.p.h. 528 yards, i.e. 24	strips of 22 yards
6	,,	carting grass and drinking beer	
6	,,	at 2½ m.p.h. 440 yards i.e. 20	,,
6	,,	carting grass and drinking beer	
6	,,	at 2 m.p.h. 352 yards, i.e. 16	,,
6	,,	carting grass and drinking beer	
6	,,	at 1½ m.p.h. 264 yards, i.e. 12	,,
3	,,	carting grass	
45	minutes	72 strips	= 24 yard

He therefore consumed three bottles of beer.

The Accountant

ESTABLISHED 1874

APRIL 28TH 1951 VOL. CXXIV NO. 3984

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Supplement
Photograph of the members of the Council of The Institute of Chartered Accountants in England and Wales

NEW C.I.C. RULES

THE details of the CHANCELLOR OF THE EXCHEQUER'S promised new directive to the Capital Issues Committee were made known in a parliamentary reply by the Minister last week (reproduced elsewhere in this issue). As the emphasis of Government policy is now on rearmament, certain changes in the order of priority for applications to employ fresh capital from that laid down in the previous memorandum of April 1949 have been indicated. Projects essential to the completion of the defence programme, a category not included in the last list, now receive first consideration. They displace schemes to alleviate basic deficiencies, particularly of raw materials, which now come second. These two priorities are closely related as, time being of the essence, the successful completion of our arms programme must, in a measure, depend on a continuous flow of raw materials. The third and fourth priorities on the present list are an amplification of the 1949 directive concerning the earning and saving of hard currencies. One stresses the necessity for contributions to import saving, particularly where dollars are involved, and the other the importance of increased exports of a continuing nature to desirable markets. This widens the scope of the previous instruction and calls for a foreknowledge of world trade conditions which the Committee cannot in reason be expected to possess. The fifth and last priority favours the advancement of new techniques and products and of developments designed to reduce costs. The lowly position of this last item serves to emphasize the urgency of the present situation, for in a normal peacetime economy reduction of costs should be a top priority.

The memorandum stresses the importance of keeping down expenditure at home and of 'discouraging any measure likely to lead to anything more than a modest increase in dividends distributed'. It also points out that 'any distribution of capital appreciation which might lead to spending out of capital' would be contrary to the national interest. In considering applications for bonus issues the Committee should be satisfied that true reserves are being capitalized and as 'a single operation' and that the 'stability, credit or efficiency' of the company will in consequence benefit; that tax liabilities will not be reduced as a result; and finally that it is in the public interest. While this part of the memorandum is by no means explicit in detail it does indicate that bonus issues are no longer to be restricted, as laid down by SIR STAFFORD CRIPPS in November 1949, to projects for increasing production and exports. Company capitalization may thus be established on a broader and more realistic basis and it can safely be left to the good sense of the Capital Issues Committee to see that this easement of the rules is not abused.

PROFITS, ACCOUNTANTS AND ECONOMISTS

THE FILTER THEORY AND AN EQUITY SOLUTION

by BRADBURY B. PARKINSON, M.Sc.(Econ.), B.Com., A.C.A.

The inter-professional gulf – Present state of profits theory – The economic conception of profits as capital accretion – The formidable task of the revised income statement – Its general inapplicability – The barrier to indiscriminate absorption of economic tenets into accounts – Equity comparison and its possibilities – The immediate tasks of accountancy and economics.

OUR generation will present to the sociologist of the future no more remarkable an example of significant intellectual incompatibility than is marked by the divorce between those who record the facts of economic activity in detail and those who might with advantage study them in the aggregate. The economist on the whole has indeed been surprisingly indifferent to the mass of detail concerning the public enterprise factor.

The gulf between the professions has been well demonstrated by attempts to establish a common terminology. For usually it has been found that so far from any progress being made in discussion, such discussion cannot even begin. The parties have been unable to agree even about the basis upon which discussion should proceed. And the reason needs little imagination to divine. The accountant can see little advantage in discussion that does not proceed on a practical foundation; the economist can see no object in discussion of a terminology that is removed from fundamental truth and incapable of philosophical manipulation.

Economics and Profits

Income in general and profits in particular are easily the least satisfactory part of economic doctrine. No definition or theory of profit has been found of general acceptance, and it is not universally admitted that a definition or theory is possible. Generally, the economist is mainly concerned with merely a section of what the accountant measures as profit, but he has difficulty in applying his customary analysis to it. Equilibrium and marginal analysis have both appeared inappropriate. As matters stand no economic explanation of profits fits readily into the observed facts and conditions of industry.

Accountancy is necessarily concerned with monetary measurement. Business is the absorption of, and distillation back into money, and technique is conditioned by the need for disclosure to show monetary withdrawal or use possibilities in the widest sense. But with monetary rather than real measurement the economist has little patience. The continuity nature of economic life leads him to visualize profits as real saving with the maintenance of income potentiality. Hence his general view of profit as the absorption of goods and services in the present plus the increased possibility of goods and services in the future.

Practical Measurement

But assuming even that constant structural aggregates give constant real returns, which they do not, the measurement of such a profit depends upon an ultimate utility that can be neither ensured, dated, located nor in any way assessed. Utility has indeed been dismissed as a purely motivating force, which seems to remove the only possible basis for prospective real income measurement.

It is then in changes of capital that for the economist the problem of profit measurement lies. The essential element is the change in asset value. Yet capital value is a matter of anticipation extending in effect to infinity. An activity unit has a potential income discounted in its assets. The income is subject to the expense of securing it, the costs of perpetual asset maintenance and an allowance for uncertainty. Some profit disappears with contractual incomes and future division between contractual and residual income depends on a number of complicated factors. When ascertained, the income has to be discounted at a rate determined by the productivity of new investment when the prophecy game begins all over again.

Encroachment Tactics

Real income as the surplus over equivalent economic potentialities is indeed by definition incapable of measurement. And the economist will usually recognize this. But his malaise when confronted with the need for empirical studies has led him to urge the introduction into accounts of snippets of economic doctrine. On these matters there is a degree of adamancy that suggests probable satisfaction with the adjusted results, though in view of the many and varied elements to which income is subject it may be reasonably doubted whether the consequent approach to truth is not relatively infinitesimal.

Consistency of accounts criticism is defied by suggestions at the same time of control by regulation of income according to degrees of disequilibrium under Keynesian formulae, sliding scales of certain charges being apparently envisaged. Accounts must then, it seems, serve many masters – economic con-

Abstract of an address to the Liverpool Economic and Statistical Society on January 26th, 1951.

trols, management, and proprietorship, economic statistics – and there is a growing conviction that the result would be the serving of none efficiently.

Currency Changes

The need for an economic approach to the income statement has been given considerable impetus by the monetary indisposition of recent years. This has encouraged attempts at refined measurements of profits taking currency changes into consideration. The adjustment is not an easy one and it has the major objection of confusing those who depend on disclosure, and the minor objection of being dependent on index numbers which scarcely anybody regards as generally satisfactory. But revenue considerations have given the matter an aspect of urgency, for identical real incomes in times of inflation bear an increasing weight of taxation. Monetary unadjusted profit, says the economist, means a national living on capital, and the accountant agrees. But to assail the Tucker committee with demands for equity in taxation, for a fiscal procedure that will ensure the maintenance of industrial equipment in a rapidly changing technical environment is one thing; it is quite another to pretend that a radical and complicated adjustment of accounts for currency changes will give a result that can be regarded as satisfactory for economic purposes.

Simple monetary measurement has intelligible significance. Currency adjusted monetary measurement has no significance unless there is a reliable approach to real profits. There is indeed a façade of reality, but dependence on indices gives it a varying validity both horizontally and vertically, and in the absence of official revalorization there is no comparative or associable validity such as is required for social accounting. Even with revalorization real profits in the economic sense have no necessary or even probable association with customary indices. It is only to be mentioned that inflation must bring demand elasticities into play to reveal that stabilization may bring a withdrawal from reality rather than an approach to it.

Technique and Period Uniformity

For the rest the economist's suggestion of an adjusted income statement for economic purposes has two fundamental objections. He has been driven into the quicksands of uniformity and codification. Primarily, then, he claims standardization as essential, overlooking that technical inconsistency alone may give result consistency, that codification removes responsibility for discriminate consistency and imperils accountancy's best function, the individual judgment upon which he and everybody else must eventually depend.

This is merely the first obstacle to reconciliation. An even greater one is demonstrated by the demand for period uniformity. Uniformity of accounting date he has urged, with some justification, is essential to social accounting. Unfortunately, there is a growing realization of dependence of accurate measurement on the period taken. Thus the apparently inescapable dilemma; if accounts end on the same date they do not accurately measure individual profits, and if they do not, they do not reasonably measure social profits.

The Filter Theory

Generally, it would seem that the introduction of economic doctrine into accounts conflicts with the underlying theory of accountancy practice. This theory of sympathetic but discriminating variability may be roughly established on observation and *a priori* reasoning as follows. At any given time and in any given place there is an optimum efficiency level of accounts content. This is dependent on contemporary environmental factors including current applicable knowledge, public attitudes to accountancy, legal and fiscal postulates, the availability and acceptance of interpretive devices, managerial and equity perspectives, and an aggregate of manifold and various demands for practical purposes. Dependent on this conglomeration of factors, practice should indeed be a momentary equilibrium between them, for all are dynamic forces and their relative significance varies to an independent degree. Aspiration to, and the maintenance of, a minimum distance may be said to be the first and main task of the accountancy profession as a whole, for otherwise it may be justly impeached for indifference to the public service which is its only *raison d'être*. But just because of this it may be taken as axiomatic that, generally speaking, the profession's own measurement of justifiable contemporary demands upon it is superior to any measurement prompted by individual and isolated elements. How the profession measures its responsibilities and prepares to meet them is its own affair, and in the case of an indictment the onus of proof is on those who advance it.

Accountancy development depends upon the progress of all factors in formation and general discussion of accounts revision is necessarily concerned with this formation, no discussion being sound that ignores any one of the relevant factors. Revisionists must advance a balanced revision. Individual concepts may be shown as of utility to accountancy practice, they may by discussion be polished and amplified, but they must not be urged on their own merits alone. It is not incumbent upon the profession to absorb new and undigested knowledge in spite of other factors known to be present.

The Necessity for Reconciliation

The impasse into which we seem to be driven is all the more regrettable since the one certain and invigorating element in this atmosphere of confusion is that reconciliation between accountancy and economic measurements of profit must be effected. Progress awaits satisfactory measurement of indus-

trial and national income. Individual equilibrium may well be ensured by improved measurement; it is certain that industrial equilibrium is impossible without it. And it is well recognized that economic controls are dependent for their reasonable perfection on knowledge of fluctuations of the most important items in national income and investment. Common material provides a solid foundation, but complete factual reconciliation is beyond hope, and to pretend otherwise is to handicap efforts to secure a working arrangement that is the common-sense aim. Profits must eventually be satisfactorily measured for economic purposes; in the meanwhile they must be measured as satisfactorily as possible.

Pure profits are singularly elusive, real profits are indeterminate and the cherished analysis of profits has little practical foundation. It may eventually be recognized that the probable unreliable attainment of a double aim in the same income statement, the undesirability of tampering unduly with an accountancy statement well established in public esteem, and the irreconcilability of satisfactory measurement with the economic ideals of period and technique uniformity, are strong grounds for rejecting the income statement as a means of conveying economic data. Even an elaborate adjustment account appended to the income statement is not likely to avoid the criticism of obscurity by those who already find obscurity in the simple accounts presented.

The Equity Solution

But if emphasis on the capital aspects of profit shows the inscrutable nature of the problem it tempts some suggestions along this route. With discrimination the problem may be reduced to one of comparative adjusted equities, which suggests the alternative to the use of the income statement, viz. comparable capital statements. The essence of the procedure would apparently be somewhat as follows. The discounted future income potentiality of certain assets would be compared from year to year before dividends and drawings. This would give some measure of real profits subject to capital introduced. The latter presents no difficulty except in aggregate treatment, when the services of the economic statistician may be required to determine its origin and nature. The application of an index number to aggregate figures would also be required for monetary changes. Thus the shadow of real profits for firms, particular industries and the private enterprise factor, may be seen once the procedure for relating future income to present assets is decided upon.

Practical measurements of operating or overall capital accretion have the advantages of ready presentation and comprehension, relatively reliable computation and probable adaptability to uniformity and other needs of the economist. The accountant cannot be saddled with valuation problems and the economist has merely to prescribe rules for a general revaluation that would meet his purpose. Prescription based on the assumption of a constant income flow for a definite period with rates for discounting and indices for currency changes seems to be the immediate need. Collection of basic information might be through local offices negotiating and guiding the results on Inland Revenue lines, or grafted on to developed trade association machinery.

Conclusions

Real income cannot be shown in accounts and any substantial injection of economic conceptions into accounts will be resisted by a wave of controversy, litigation, confusion and accountancy anarchy. Accounting equity may be unsatisfactory; precise economic power measurement would be a wonderful extravaganza. No guaranteed approach to reality in profits measurement or profits classification is foreseeable, for partially adjustable unknowns may always be cancelled out by unadjustable unknowns. Vagueness of conception is not the major obstacle, but factual analysis of conception in its best form.

Accountancy is interested in the stages on the route; economics in the destination. Accountancy must be judged by its practical utility, and the profession may be relied upon to maximize present utility; while the subject of economics might perhaps point the way to improved utility in some prospective environment. The gulf is not rendered less formidable by exaggeration or by pretending that it is less formidable than it actually is. While the gulf cannot be bridged we begin at least to realize its width and depth and the precincts of research can be marked out. Meanwhile, working arrangements are conceivable – or at least some approach to the best working arrangement that may be achieved with present knowledge. Radical adaptation of the income statement is not feasible and if it were feasible it would still be inadvisable. But summary raw material based on equity comparison might with advantage be collected.

The Immediate Programme

The task of accountancy is to improve and clarify its technique, to ensure a balanced development, and to aspire to a reconciliation of results with economic aims. Economics, after familiarizing itself with the many difficulties facing accountancy, must provide practical and discriminate guidance in adapting accounts to economic aims, giving expedient definitions of income and its analysis, and showing how customary procedure may be readily converted. It is not a question of achieving a result that is perfect but of achieving a result that economist and statistician will be satisfied with under the pressure of circumstances. Only along these lines can any expedient measurement of individual and industrial income be made; only in this way can the subjects of accountancy and economics begin to coalesce for the achievement of social aims.

WEEKLY NOTES

The Council of the Institute

With this issue we have pleasure in presenting to our readers a photograph of the Council of The Institute of Chartered Accountants in England and Wales taken prior to its meeting on Wednesday, March 7th, 1951. Our readers will share our disappointment at the unavoidable absence of three members, Messrs George R. Freeman, senior Past-president, E. Evan Spicer and Graham Adam, M.C.

Sir Archibald Forbes, New President of the F.B.I.

Sir Archibald Finlayson Forbes has been elected President of The Federation of British Industries in succession to Sir Robert Sinclair, K.C.B., K.B.E. Sir Archibald, who is an executive director of Spillers Ltd and chairman of the Debenture Corporation, is a member of The Institute of Accountants and Actuaries in Glasgow and was formerly a partner in the London firm of Thomson McLintock & Co.

Publicizing the Stock Exchange

A start has been made in the campaign, first mentioned by Mr John Braithwaite in his speech as chairman at the annual meeting last May, to make more widely known the work of the Stock Exchange. Firms are to be asked to supply certain information regarding business done for each of the years 1949 and 1950. The particulars required, are turnover of the gilt-edged market; business done outside the Stock Exchange; business arising from placings prior to the grant of quotation; number of bargains for the two years; number of partners and employees; and total commissions charged and the amounts returned to agents, attachés, clerks, etc. The figures, which will be treated confidentially, are to be assembled and aggregated by a firm of chartered accountants. The statistics should be available in the autumn and, as well as being of value in the management of the House, should serve to illustrate to the general public the importance of the Stock Exchange in the economic and financial life of the country.

A well-known firm of advertising consultants is to advise the Council in what further ways the activities of the House may usefully be publicized.

Agreement with Argentina

An agreement between this country and Argentina, to run for one year, was announced at the beginning of this week.

The average price agreed for meat is about £128 a ton for chilled and frozen. This compares with the price demanded at the previous negotiations of about £120 a ton. Under the new arrangements Argentina may offer as much chilled meat as it can muster. This point may have important consequences on the average price in the end for the chilled meat prices agreed are as high as £146 a ton.

There are several matters dealt with in the agreement besides meat. Argentina is to receive £10½ million on claims under the gold and dollar exchange guarantees on the old sterling balances of the Argentine Central Bank. These will be transferred into a special account out of which dividend and interest payments in this country will be paid. Each country agrees to grant the other what amounts to a credit of £20 million if the balance of payments as between the sterling area and Argentina gets out of balance in either direction. Beyond £20 million, deficits are payable in dollars, but the terms of the agreement suggest that the convertibility into dollars will take effect only if Argentina is the first to be in surplus.

Alloy Steel Shortage

The list of scarce metals and commodities continues to grow. A week ago the Minister of Supply told the House of Commons that there was an immediate and serious shortage of nickel, tungsten and molybdenum. These restrictions mean in turn that a limit is put on the production of alloy steels. Since large quantities of these are required for the defence programme there will have to be an immediate and large cut in supplies for civilian purposes. The only expectation of an early improvement in the position can come from the talks now going on in Washington regarding the international allocation of raw materials.

The Government has taken action to bring into operation right away an allocation scheme for nickel. As from May 1st stainless steel producers will get 70 per cent of their 1950 deliveries; nickel anodes for plating will be 50 per cent of the same base period; the use of nickel for certain 'inessential' uses is to be prohibited altogether.

Plans for the closer control of the distribution of the other metals mentioned are under consideration by the Government. Specifications of alloy steel by experts are to be overhauled with a view to making economies and tungsten mining in Devon is to be started up again.

Sulphuric Acid Plant

A new company, the United Sulphuric Acid Corporation, has been registered with an initial capital of £100. It will undertake the production of sulphuric acid from anhydrite. The company plans to make about 150,000 tons of sulphuric acid a year and the capital outlay for the plant is expected to be in the region of £3,500,000. It seems to be the present intention to raise most of the capital by loan. Meanwhile, the share capital is expected to be taken up by a group of large users of sulphuric acid, in the same proportion as they will take the supplies of the company's product. These are I.C.I., Courtaulds, British Enka, the Clayton Aniline Co and Fisons. Among them, they represent the chemicals industry including dyestuffs, fertilizers and rayon.

REVIEWS

Lindley on Partnership
Eleventh Edition
by Henry Salt, K.C., M.A., LL.B., and Hugh E. Francis, LL.B.

(Sweet & Maxwell Ltd, London. £6 6s 0d net)

A book of this standing and magnitude is a difficult subject for review. Its uniqueness rules out comparison, while to say that it is the leading text-book on partnership is to state the obvious. The editors' modest hope that the errors they may have made will not seriously diminish its authority and reputation will assuredly be realized. In short, anyone seeking the most comprehensive and up-to-date treatise on partnership law will buy *Lindley*.

This is not to say that the book could not be improved. Since the first edition was written in 1860 there has been a considerable change of emphasis which subsequent editions have not fully reflected. Over 150 of the 1,000 pages of text deal with bankruptcy, despite the fact that the growth of private companies has tended to take speculative businesses out of the scope of partnership. No hint is given of the tremendous importance achieved in the last few years by income-tax and estate duty. For information as to the duty [*sic*] payable by the successor to a partnership share, the reader is referred to *A.-G. v. Gosling* ([1892] 1 Q.B. 505), a case which concerned the probate duty, repealed nearly sixty years ago. Hardly any of the income-tax (and none of the profits tax) provisions dealing specifically with partnerships are mentioned. Nearly a page is devoted to provisions of the Forfeiture Act, 1870, without revealing that they have been repealed. The list of statutes gives the short title in only a handful of cases, leaving the reader to puzzle over reign and chapter numbers, while the headings of many of the chapters have an almost biblical flavour. It is not clear what principle has been followed in assigning matter to footnotes, which are voluminous.

Studies in Accounting
Edited by W. T. Baxter, B.Com., C.A., Professor of Accounting, London University

(Sweet & Maxwell Ltd, London. 23s 6d net)

The not too academic accountant should not be put off by the rather contemplative title of this book. The contents have been chosen primarily for their controversial value and, as nearly all the pieces possess the first essential of expository prose, clarity – a quality not always found in accountancy writings – the collection as a whole is straightforward and stimulating. Many readers will turn at once to the article, provocatively entitled 'The greatest accountant in the world', reprinted from the *New Yorker*.

Fortified by this sparkling *apéritif*, they may then go on to savour the heavier bouquets of such contributions as Professor Ronald Edwards's theories on 'The nature and measurement of income', which extends to nearly one hundred pages and which originally appeared in this journal in 1938.

The collection includes, as well as articles, the texts of lectures and speeches on many aspects of the profession. Some of the latter lose much of their vitality by being petrified, as it were, in the medium of print, but two of Mr Arthur Chamberlain's, given in his capacity of chairman at company meetings a few years before the war, read admirably.

The Death Duties
Eleventh Edition
by Robert Dymond, Solicitor, and Reginald K. Johns, LL.B.

(Solicitors' Law Stationery Society Ltd, London. 75s net)

This is an altogether excellent book which can confidently be recommended. The authors have clearly made it a labour of love to reduce a welter of baffling, ill-drafted and overlapping statutes, together with a vast mass of almost equally baffling cases, to an ordered and methodical statement of this most complicated of all branches of the law. The passing of succession and legacy duties has left space to deal with estate duty even more fully than in earlier editions, although still without prolixity or irritating footnotes. We might suggest that the *Annotated Tax Cases* references, if any, of decisions quoted, would be helpful to accountant users of the book. The possible implications of *In re Duke of Norfolk's Will Trusts* ([1950] 29 A.T.C. 7), and, to a less extent, of *In re Miller's Agreement. Uniacke v. A.-G.* ([1947] Ch. 615), have not been fully worked out in the text, which has to be read with these cases in mind.

Specimen Answers to the Questions Set at the Chartered Intermediate Examination, November 1950

(Study Services Ltd, London. 6s net)

This publication, the title of which explains its purpose, is similar in style to the folio covering the Final examination reviewed in these columns on February 17th, 1951. It is of the same high standard and should be of great value to the younger student facing up to his first professional examination.

Ranking, Spicer and Pegler's The Rights and Duties of Liquidators, Trustees and Receivers
Twenty-first Edition
by H. A. R. J. Wilson, F.C.A., F.S.A.A., and R. D. Penfold, LL.B., Barrister-at-Law

(H. F. L. (Publishers) Ltd, London; also Sir Isaac Pitman & Sons Ltd, London. 21s net)

In our issue of March 31st last we published a review of the twenty-first edition of this book stating that it was published by Sir Isaac Pitman & Sons Ltd, London. It is also published by H.F.L. (Publishers) Ltd, London.

FINANCE AND COMMERCE

Stock markets have not been unduly perturbed by political uncertainties and with business on a broadening scale a firm tone is maintained.

Gray's Carpets

The accounts of Gray's Carpets and Textiles Ltd, from which we reprint the consolidated balance sheet this week, show a position which in very large measure has been reached through the investment of capital and income in new plant with the purpose always in mind of the most efficient production and lowering of costs. The directors' plans are now beginning to bear fruit.

In the three years since 1947 when the company was formed, a total sum in excess of the paid-up ordinary capital of £560,000 has been ploughed back into the business. The amount in the carry-forward alone, Major E. Beddington Behrens, the chairman, points out in his review, is over 3½ times the total net amount required to meet the year's debenture and note interest, and preference and ordinary dividends.

In these circumstances, it is fairly evident that the ordinary dividend, maintained at 32 per cent since 1947 is only a nominal measure of the return on capital. A statement showing comparison of profits, capital and taxation since the company's formation, works out the dividend percentage at 2·6 on capital employed and it will be noted from the reprint that the calculation is based, not on the more usual book value, but on real capital employed.

No Earnings Figure

This new comparative statement is on the lines of the statistical information to which we have recently given publicity. Among other things, it works out the total value of the equity and converts the funds attributable to ordinary stockholders into asset value per stock unit. Every 5*s* unit is worth 17*s* in terms of net assets as compared with 14*s* 11*d* a year previously and with 10*s* 9*d* in 1947. This is a useful measure of the building up of the company. Market value of the 5*s* units which is of course based mainly on dividend and prospects is in the region of 17*s* 9*d* ex div.

While the statement gives assets value per unit of capital, there is no similar figure for income per unit and this, in many respects, is the more important. In the case of prior charge capital, it is one of the essential measurements of worth. Any offer of debenture or preference capital for subscription is accompanied by a statement that capital is covered so many times by available assets and interest or dividend so many times by available profits of the last completed year and of an average of past years. We should like to see company accounts giving this information for all classes of the capital invested.

Market Operation

A market on the Stock Exchange has recently been made for the 5*s* ordinary shares of Manchester Oil Refinery Ltd. The company was known, quotation having already been granted for its debenture and preference capital. No public advertisement was therefore required as a preliminary to the grant of quotation.

One might have thought that under these circumstances it would have been sufficient to make the company's last accounts available to prospective new shareholders. The 1950 accounts had only just been published. Those responsible for the marketing, however, felt it worth while to provide a brief history of the company since its formation, a description of its products, present and prospective productive capacity and facts regarding crude oil supplies.

The 1950 profit and loss account was examined and set out to show earnings available before and after the preference dividend and the amount of profit available to ordinary shareholders was further expressed in terms of percentage on the ordinary capital. In a reference to the assets position, it was pointed out that the refinery standing in the balance sheet at £585,000 was insured for approximately £2,500,000. May we suggest that the information given in the 1951 accounts should be extended on these lines.

Rather Shy

An indication of current values for fixed assets is given in the balance sheet of Humphreys Ltd. This shows 'Freehold works, premises and other buildings' at a book value of £8,058 on the basis of a 1925 valuation with additions since at cost. A note to the item explains that 'No provision has been made for depreciation of the above asset – works buildings were valued in September 1950 for insurance purposes at £11,200'.

The chairman in his statement, points out that this valuation was of buildings only. But during the year, all the fixed assets, he continues, were valued for insurance purposes and the result was that 'the relative figures in the balance sheet may be taken as very conservative'. Why only 'very conservative'? Why not have given the figures?

This company, whose business is not stated in its annual publication, has, the chairman states, 535 preference shareholders and 793 ordinary shareholders. Before tax, earnings cover the preference dividend over nine times. After paying the preference dividend, the untaxed profits equal 2*s* 3*d* per 5*s* share.

Here we have the beginning of a most important statistical analysis of the company's position. The facts should be set out in tabular instead of narrative form and accumulated year by year. We commend the effort here recorded but it is still rather shy.

Money Market

Treasury bill applications totalled £354,470,000 on April 20th and 54 per cent of requirements was obtained, the average rate being 10*s* 2·60*d* per cent. This week's offer is for £230,000,000. There is no Treasury deposit receipt call.

GRAY'S CARPETS AND TEXTILES LIMITED
and Subsidiary Companies
Consolidated Balance Sheet as at December 31st, 1950

December 31st, 1949 £	£			£	£
		Share Capital			
		Authorized:			
	1,300,000	1,300,000 5 per cent Cum. Pref. Shares of £1 each ..		1,300,000	
	560,000	2,240,000 Ordinary Stock Units of 5s each		560,000	
	£1,860,000			£1,860,000	
		Issued and Fully Paid:			
	1,066,255	1,066,255 5 per cent Cum. Pref. Shares of £1 each ..		1,066,255	
	560,000	2,240,000 Ordinary Stock Units of 5s each		560,000	1,626,255
1,626,255					
196,842		**Capital Reserves**			201,638
		Revenue Reserves			
	364,536	Reserve for future Taxation (Income Tax, 1951–52) ..		403,641	
		Reserve for replacement of Fixed Assets (Created out of Profits earned since December 31st, 1947)	£112,503		
		Deduct Reserve of Company sold	5,903		
	83,453			106,600	
	30,000	Staff Pensions Reserve		40,000	
	437,012	**Profit and Loss Account**		596,378	1,146,619
915,001					
2,738,098		**Total Shareholders' Funds**			2,974,512
116,440		**Interest of Outside Preference Shareholders in Subsidiary Company**			100,000
		Loan Capital			
		Holding Company:			
	750,000	4½ per cent First Debenture Stock, 1968 (secured)	£1,000,000		
	—	*Less* Stock purchased in anticipation of the Sinking Fund and cancelled ..	16,206	983,794	
	500,000	4½ per cent Secured Notes, 1953–68 (Secured by the Issue of a further £500,000 First Debenture Stock, 1968) ..		500,000	
	1,250,000			1,483,794	
		Subsidiary Companies:			
	100,000	4½ per cent Unsecured Notes, 1953–68 ..	£100,000		
	38,153	*4 per cent Mortgage Debenture Stock, plus accrued Interest (redeemed in 1950)*	—	100,000	
1,388,153					1,583,794
		Provision for Deferred Repairs		42,565	
		Deduct Provision of Company sold and expenditure during the year		29,901	
42,565					12,664
		Current Liabilities			
	441,554	Current Taxation		544,418	
	627,843	Creditors, Credit Balances and Accrued Charges ..		818,230	
	399	Unclaimed Dividends and Interest, *less* Tax		578	
1,069,796					1,363,226
		Provision for Proposed Dividend			
55,440		Final Ordinary Dividend at 18 per cent, *less* Tax			55,440
£5,410,492					£6,089,636

December 31st, 1949 £	£			£	£
		Fixed Assets			
		Freehold and Leasehold Land and Buildings as professionally valued in 1947, *plus* additions at cost, *less* sales to December 31st, 1949		1,112,737	
		Deduct Sales, *less* additions at cost for year to December 31st, 1950		3,535	
				1,109,202	
		Less Aggregate Depreciation from 1947 to date ..		71,701	1,037,501
1,132,641		Plant, Machinery, Motor Vehicles, Furniture, etc.:			
		At Net Book Value at July 1st, 1948, *plus* additions at cost, *less* sales to December 31st, 1949		686,990	
		Additions at cost, *less* sales for year to December 31st, 1950..		317,927	
				1,004,917	
		Less Aggregate Depreciation from July 1st, 1948, to date		271,468	733,449
597,805					
1,730,446		**Total Fixed Assets**			1,770,950
		Current Assets			
	1,920,253	Stock on hand and in transit as valued by the Companies' Officials, *less* provision for unrealized profit on inter-company stocks		2,714,725	
	695,630	Debtors, Debit Balances and Prepayments, *less* Provisions for Doubtful Debts and Discounts		945,280	
	10,667	Bills receivable		22,524	
		Investments at cost, *less* amounts written off:			
	18,372	Trade	£18,372		
	12,545	Other – *Quoted*	—		
	1,000	*Unquoted*	—	18,372	
	500,000	Tax Reserve Certificates	95,750		
	506,946	Cash at Bank, in transit and in hand ..	522,035	617,785	
3,665,413					4,318,686
		Investment in own Debenture Stock			
14,633		*£15,000 4½ per cent First Debenture Stock, 1968, at cost (Purchased in anticipation of the Sinking Fund and now cancelled)*			—
£5,410,492					£6,089,636

The Notes on pages 10 and 11 form part of this Balance Sheet.

Signed on behalf of the Board,
E. BEDDINGTON BEHRENS } *Directors.*
W. WHATMORE }

Statement showing Comparison of Profits, Capital and Taxation since the Formation of the Company

1947 £	1948 £	1949 £	1950 £	1947 £	1948 £	1949 £	1950 £

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Simplicity in Accounting

Sir, – The Millard Tucker Committee have come down on the side of orthodox accounting, and I for one am relieved, for it might have been different. If I have summed it up rightly, the reason they give is that it is not fair to the rest of the community to allow the business man to calculate his profit in such a way that he is left with his real assets intact.

This is a valiant blow for simplicity in accounting, and I am all for simplicity. Essentially, the business man's bargain with the community is that he is prepared to risk laying out his money, hoping to get back more than he lays out, hence his balance sheet should be a simple statement of what he has laid out to date and not yet recovered.

To a great extent we can get the kind of world we want, but too many well-intentioned people want to run our lives for us. We see it in the Budget which is no longer a simple statement of estimated receipts and payments, but a method of government interference with our private lives, so that we more and more become robots of a planned economy, and some accountants would turn our balance sheets into a means of combating booms and slumps.

In the world I want, neither budgets nor balance sheets would have ulterior motives. I am all for getting back to simplicity and congratulate the Millard Tucker Committee for the plain and simple language of their report and for the blow they have struck for orthodox accounting.

Yours faithfully,
H. A. BRISCOE.

King's Norton, Birmingham.

Refund to Purchaser for Returned Article

Sir, – Mr Ives, commenting in your issue of March 17th on the query raised by Mr Collinson under the above heading, does not recognize that cash discount is virtually a payment to the buyer for services rendered, i.e. for promptness of payment. This might be short-term discount and as much as 3¾ per cent seven days.

Whether such discount is, or is not, refunded should be decided by the reason of the return of the goods.

If the supplier is at fault (goods below standard, wrong specification, etc.) considering the inconvenience caused to the purchaser, it would be unethical to reclaim the discount, which was given for the promptness of the payment.

On the other hand, if the goods supplied were as ordered, but the purchaser requests later to return them and the supplier is good enough to agree to their return, it would be unfair to expect him to be out of pocket over the transaction and the discount should be refunded.

Yours sincerely,
A. R. WATERTON.

Perivale, Middx.

Medical Practices: Partnership

Sir, – With reference to my letter published in your issue dated March 3rd last, I should like to express my thanks to the correspondents who replied to the problems raised.

Though no two answers were alike, the points raised have enabled me to arrive at a satisfactory conclusion, and the anomalies of partnership taxation are once again thrown into sharp relief.

Yours faithfully,
ARTUROS.

Solicitors and Accountants: Formation of Companies

Sir, – Is it not time that the breath of common sense was allowed to blow away the clouds of rivalry that seem to be obscuring the vision of two dignified professions?

As we all know, there are a number of firms of company registration agents who supply draft forms of memorandum and articles of association suitable to a private company, which drafts have been settled by a barrister. These drafts provide for a number of alternatives to suit the particular requirements of the parties concerned, on which any qualified accountant, who has been required to sit for a comprehensive examination in company law, is competent to advise his clients. A solicitor called upon to act in the same way uses, almost invariably, the same draft form of memorandum and articles of association and, at the risk of calling down retribution on my head, I would say that in many instances a qualified professional accountant is more in touch, day to day, with company law than is his opposite number in the legal profession. I should add that I speak of the practice in the provinces in which I have had a considerable experience.

I feel that it is desirable that a plain statement as to what we all know is the present practice, should be ventilated in your correspondence columns.

Yours faithfully,
S. McCOMBIE.

Hitchin, Herts.

'The Profession or Industry?'

Sir, – May I congratulate Mr Swindlehurst on his excellent essay on this subject which you published in your issue of April 7th, but suggest that his outright condemnation of industrial accountancy as a career amounts almost to short-sightedness.

Are all industrial accountants 'beasts of burden', varying from specialist clerks to house-trained advisers in matters of finance, whilst all those remaining in the profession proceed along a vastly higher plane as free-lance specialists matching their own brains against the world? Are there not accountants who have risen through the ranks of industrial

accounting to the level of top management, whilst their opposite numbers in the profession are still slogging away as seniors or perhaps managing clerks of minor firms with limited prospects and outlook?

It really boils down to a question of degree – how does the newly-qualified man regard accountancy: as a means to an end or as an end in itself? If the latter view is taken, then obviously the profession scores, for the pure specialist in industry does have a tendency to run in a groove, though it may be anything but a well-oiled one. But if becoming a qualified accountant is regarded as a stepping stone to greater things, industry will offer far more scope. The recurring theme in the report of the Management Accounting Team after its visit to the U.S.A. is that American management is essentially cost and figure conscious, and the controller, to whom the chief accountant and cost accountant are responsible, very often operates at the level of vice-president. Many influential companies in this country have qualified accountants at similar levels or in actual control as managing directors, who have graduated by way of the accountancy departments; in such cases the extra something required by Mr Swindlehurst's hypothetical professional man has been equally essential and its growth has undoubtedly been accelerated by their accountancy training.

The suggestion that the newly-qualified accountant should spend a year or two with an established professional firm is very sound, as is the final summing-up. Indeed, the whole essay is sound apart from the author's unfortunate attitude towards those who have gone in to industry. There is no reason why an industrial accountant should not reach just such Olympian heights as his professional colleague; he may not rise to the level of having his name on a brass plate, but he may well achieve an equal pride in the knowledge that he has played his part – and an important one – in the advancement of his particular concern, and in being identified at a high level with its name, its products and its standing in the eyes of the world.

Yours faithfully,

DONOVAN MARYON, A.C.A., A.C.W.A.

Shipston-on-Stour, Warwickshire.

Discounts: An Element of Cost?

SIR, – I have just read Mr J. R. Leitch's letter in your issue of April 7th.

Reading Section (*a*) of his second paragraph apart from the context, surely the cost of goods is what has actually been paid for them – irrespective of any trade discount, trade terms, quantity discount, and cash discount which has been enjoyed in the transaction!

Yours faithfully,

Blackminster, Worcs. S. BUNTING, A.I.A.C.

Hope

SIR, – We think the following extract from the report of a parish meeting may amuse your readers as much as it did us:

'Mr S. was re-appointed auditor and the meeting closed with prayer.'

Yours faithfully,

London, W1. ROTH, MANBY & CO.

TAXATION CASES

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in *The Annotated Tax Cases.*

In re A. and D. Fraser Limited

In the Court of Session (Inner House)
March 16th, 1951

(Before THE LORD PRESIDENT (Lord COOPER), Lord CARMONT and Lord KEITH)

Reduction of capital – New shares issued fully paid up – Share capital reduced – Petition for confirmation – Whether petition should be dismissed on ground that transaction was for avoidance of tax – Finance Act, 1947, *Section* 36 (1) – *Companies Act,* 1948, *Section* 67.

The company carried on business as a garage proprietor and a dealer in motor vehicles. Its capital was £50,000, divided into 50,000 shares of £1 each, of which 25,000 were 'B' shares with restricted rights to dividends.

On November 3rd, 1950, the capital was increased to £100,000, in 50,000 shares of £1 each and 50,000 'B' shares of £1 each. The new shares were paid up in full by applying sums standing to reserve account. The 25,000 new ordinary shares were issued to the holder of the 25,000 original ordinary shares, and the 25,000 new 'B' shares were issued to the holder of the original 'B' shares. On the same day a special resolution was passed reducing the share capital from £100,000 to £25,000, divided into 50,000 shares of 10*s* each. This reduction was to be effected by returning to the holders of the 50,000 shares, 10*s* a share, and to the holders of the 50,000 'B' shares, £1 a share. Thus the 'B' shares were extinguished.

On the same day ordinary resolutions were passed, subject to the reduction of capital being confirmed by the Court: (*a*) consolidating the remaining 50,000 shares of 10*s* each into 25,000 shares of £1 each; (*b*) increasing the authorized capital again to £100,000 by the creation of 75,000 new shares of £1 each. The issued capital was £25,000 at that stage. The proposed return of £75,000 to the shareholders was reported to the Court to be based on the directors' view that capital to that amount was in excess of the company's requirements.

The shares in the company were owned by two individuals, who were indebted to the company to the extent of £25,000. The company had a large stock of second-hand cars, which it proposed to

reduce as conditions in the market had altered. The company also had heritable property valued at £125,000, plant and machinery which cost £6,850, and just over £50,000 of cash. The company had no debentures or debenture stock. £17,000 was owed to relatives of the governing and managing director and others, and these creditors had approved of the proposed reduction of capital. The reporter, Mr H. B. Spens, was of the opinion that the reduction could be confirmed, and that Section 67 (2) of the Companies Act, 1948, need not be applied.

Held (the Lord President dissenting), that the reduction of the capital should not be confirmed, on the ground that it was a transaction to avoid taxation; and that in any event the financial position was such that the Court would have directed that the creditors should be given an opportunity, under Section 67 (2) of the Companies Act, 1948, to object to the proposed reduction.

MacMahon and MacMahon *v.* Commissioners of Inland Revenue

In the Court of Session (Inner House)

March 15th, 1951

(Before THE LORD PRESIDENT (Lord COOPER), Lord CARMONT, Lord RUSSELL and Lord KEITH)

Income-tax – Purchase and sale of landed property – Dwelling-houses lived in by taxpayer – Whether trade carried on – Income Tax Act, 1918, *Schedule D, Case I.*

The appellants jointly purchased and sold two hotels and two dwelling-houses. One hotel was purchased in June 1943 for £2,000, when it was under requisition. After its de-requisition in 1948, the appellants spent £900 on repairing it, and received £500 compensation. Later in the same year the hotel was sold for £5,000, and a surplus of £2,450 resulted. The other hotel (including shops and licensed premises) was purchased by the appellants in November 1945 for £36,500, at a time when part of it was under requisition. The appellants spent about £5,600 in making alterations to the premises, and in May 1946 sold the shop for £5,000 and another part of the premises for £15,500 in November 1946. In November 1947 the remainder of the property was sold for £39,500. A surplus of £17,000 was realized in respect of this property.

One of the dwelling-houses was purchased in May 1943, and it was converted into two separate dwellings in January 1944. Later in the same year one of the two separate dwellings was sold for £1,050. The appellants and their brother occupied the other separate dwelling until March 1946, when it was sold for £2,300. The appellants then purchased the second dwelling-house for £3,230, repaired it at a cost of £2,100, and occupied it with their brother until October 1948, when it was sold for £7,000. The surplus on this sale was £1,478.

The General Commissioners decided that the surpluses on all four sales were trading profits, and were assessable under Case I of Schedule D. In the Court of Session this decision was accepted as regards the hotels, but disputed as to the dwelling-houses.

Held, that the fact that the appellants had resided in the dwelling-houses was not by itself sufficient to displace the General Commissioners' decision in relation to the dwelling-houses.

Murray *v.* Commissioners of Inland Revenue

In the Court of Session (Inner House)

March 13th, 1951

(Before THE LORD PRESIDENT (Lord COOPER), Lord CARMONT, Lord RUSSELL and Lord KEITH)

Income-tax – Timber merchant – Standing timber purchased – Sale of rights to cut timber – Whether sums thus received trading profits – Income Tax Act, 1918, *Schedule D, Case I.*

The appellant was a timber merchant, and before the outbreak of war in 1939 was in a small way of business. During the war the business increased considerably, and in November 1940 the appellant purchased standing timber in two plantations on an estate for £2,900. None of this timber had been cut at the end of 1946 owing to labour shortage, and the appellant was pressed by the bankers to reduce his indebtedness. Accordingly, in January 1947 he sold, for £1,000, his right to cut the timber in one of the plantations.

In June 1947, for the same reasons, the appellant sold his right to cut the timber in the other plantation for £14,000, having previously paid £1,875 as a default penalty for not having cut the timber previously. The conditions of sale stated that the appellant was unable, owing to other commitments, to fell the trees within the time limit, and that the purchasers had undertaken his obligations, and would carry out the necessary work forthwith.

The profit made from these sales was £10,225, made up as follows:

		£
Sum paid for timber		2,900
Penalty		1,875
		4,775
Receipts	£1,000	
,, ...	14,000	
		15,000
Profit		£10,225

The appellant contended that the £10,225 was not a trading profit for tax purposes, in that the sale of his rights to cut timber was not in the normal course of his business, and was a capital transaction. The General Commissioners decided that the purchase and sale of the timber in the two plantations was a part of the appellant's normal trading as a timber merchant, and that the resulting profit was chargeable to income-tax.

Held, that the General Commissioners' decision was correct.

Albion Rovers Football Club Limited *v.* Commissioners of Inland Revenue

In the Court of Session (Inner House)

March 14th, 1951

(Before THE LORD PRESIDENT (Lord COOPER), Lord CARMONT, Lord RUSSELL and Lord KEITH)

Income-tax – Football club – Players' wages – Alteration of contract period – Proportion of wages for off-season charged as expenses – Off-season after end of accounting period – Deductions for accounting period – Income Tax Act, 1918, *Schedule D, Case I.*

The appellant club, a member of the Scottish Football League and of the Scottish Football Association, had agreements with professional football players, which agreements were controlled by the League and the Association. The football season lasts for the nine months from the second Saturday in August to April 30th, and the months of May, June and July constitute the off-season, during which the club does not obtain any receipts from matches.

Before the 1948–49 season, players' agreements ran from May 1st to April 30th, and the players were paid for the season only. In April 1948 the League instructed its member clubs that players re-signed for the 1948–49 season would be under contract from May 1st, 1948, until July 31st, 1949; and that afterwards all contracts would be yearly from August 1st to July 31st. The standard form of agreement that was used for the 1948–49 season provided for weekly payments to each player in consideration of his services and of his observance of the terms and conditions of the agreement. The sums thus provided for were (1) the full weekly sum during the playing season; (2) a reduced weekly sum during the months of May, June and July 1948; and (3) a reduced weekly sum during the months of May, June and July 1949. The total amount paid to the players in May, June and July 1948 was £1,518 10*s* 0*d*, and the corresponding amount in May, June and July 1949 was £1,826 10*s* 0*d*.

In its profit and loss account for the period ended March 31st, 1949, the club charged eight-ninths of each of these sums, namely, £1,349 15*s* 7*d* and £1,623 11*s* 1*d*, as expenses of that accounting period, as eight months of the season fell into the accounting period.

It was contended by the club that the payments made in May, June and July 1948 and in May, June and July 1949 were payable under a contract extending from May 1st, 1948, to July 31st, 1949, and were necessarily made in order to obtain the services of the players for the 1948–49 playing season; that eight-ninths of these payments were expenses necessarily incurred in earning the profit of the playing season which fell within the accounting period ended March 31st, 1949; and that, accordingly, both the £1,349 15*s* 7*d* and the £1,623 11*s* 1*d* were allowable deductions in computing the profit of that period.

The Special Commissioners decided that the payments made in May, June and July 1949 were expenses of the accounting period ended March 31st, 1950; and that there was nothing in the agreement to support the contention that these payments could be related back as expenses proper to the previous accounting period.

Held, that in order to earn the receipts of the playing season within the accounting period ended March 31st, 1949, the club was compelled to incur liability to make payments to the players for May, June and July 1949; that the club was bound by the rules of the League to make those payments in order to obtain the services of the players for that playing season; and that, therefore, the sums in question were proper deductions in computing the profit of the accounting period ended March 31st, 1949.

Commissioners of Inland Revenue *v.* Niddrie & Benhar Coal Company Limited

In the Court of Session (Inner House)

March 15th, 1951

(Before THE LORD PRESIDENT (Lord COOPER), Lord CARMONT, Lord RUSSELL and Lord KEITH)

Income-tax – Agreement for use of railway wagons – Charge for demurrage not met – Wagon agreement cancelled and demurrage claims released – Whether sum deductible as payment for obtaining this release – Income Tax Act, 1918, *Schedule D, Cases I and II, Rule* 3 (*a*).

In 1889 the respondent sold its coal wagons to a railway company, and it was agreed that the wagons were to be kept for the respondent's exclusive use, and that the respondent would keep the wagons employed in carrying its coal over the railway. No mention was made of demurrage, but from 1909 onwards the railway company presented, year by year, a demand for demurrage, but the respondent always declined to pay. In 1944 the 1889 agreement was cancelled, and also the claims for demurrage. At that time the total of the demurrage claims was more than £35,000.

In computing the amount of the assessment to income-tax for 1945–46, the respondent claimed to deduct one-half of the total of the demurrage claim, and contended that the 1889 agreement was a valuable agreement to the respondent, and that the discharge of the demurrage claims had been obtained by the cancellation of that agreement. The General Commissioners decided that the respondent was entitled to have some fraction of the demurrage claim allowed as a deduction for income-tax purposes, and on the failure of the parties to agree upon an amount, the General Commissioners decided that, in all the circumstances, £7,000 was a fair and reasonable amount to be deducted.

Held, that there were no facts to support the General Commissioners' decision, and that neither the £7,000 nor any other sum was deductible.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

REPORT OF THE COUNCIL

Report of the Council to be presented to the seventieth annual meeting of the Institute, to be held on Wednesday, May 2nd, 1951, at 2 p.m.[1]

President and Vice-President

1. At the meeting of the Council held on Wednesday, June 7th, 1950, Mr Harold Garton Ash, O.B.E., M.C., F.C.A., London, was elected President for the ensuing year in succession to Sir Russell Kettle, F.C.A., London, Mr Charles William Boyce, C.B.E., F.C.A., Bradford, was elected Vice-President.

Council and Committee Meetings

2. During the year 1950 the Council has met on 12 occasions, on 11 of which both special and ordinary meetings were held. The following committees have held 173 meetings:

Applications ..	11	General Purposes ..	11
Disciplinary ..	8	Investigation..	11
District Societies	2	Library ..	4
Examination ..	5	Parliamentary and Law	7
Finance ..	11	Planning ..	9
Special and sub-committees ..	94		

Attendances at meetings of the Council and of committees were in total 88 per cent of the possible attendances.

Constitution of the Council

3. Following the resolutions which were passed at the annual meeting held on May 3rd, 1950, further consideration has been given to the allocation of seats on the Council between district societies consequent upon the adjustments which were made in April 1950 in the areas of district societies and the adoption of the proposal that a 'pool' of five seats should normally be occupied by members not in practice. The Council has decided that to provide the 'pool' of five seats, the allocation of seats to the Liverpool and Manchester societies shall be reduced from three to two and from four to three respectively and that the other three seats be provided by reducing the London allocation.

4. Since the last report the Council has elected two further members not in practice to fill casual vacancies that have arisen. There are now four members not in practice on the Council and it is the intention of the Council to elect a further member not in practice when the next appropriate casual vacancy occurs and provided that there is a suitable member who is willing and able to serve.

Council Resignations

5. The Council has to report with regret the resignations of the following members of the Council:

Mr Charles Edward Fletcher, F.C.A., London, a member of the Council since 1932 and a past chairman of the Investigation Committee.

Mr James Gibson Harris, F.C.A., London, a member of the Council since 1920 and a past chairman of the Finance Committee.

Mr James Collison Parsons, F.C.A., Birmingham, a member of the Council since 1938 and a past chairman of the Library Committee.

New Members of the Council

6. The vacancies on the Council caused by the resignations reported above have been filled as follows and in accordance with bye-law 13 a resolution confirming the appointments will be submitted to the annual meeting:

Mr Thomas Austin Hamilton Baynes, M.A., F.C.A., Birmingham.

*Mr Kenneth Alfred Edgar Moore, F.C.A., London.

*Mr Thomas Alexander Lacy Thompson, D.S.O., M.C., B.A., A.C.A., Newcastle upon Tyne.

** Denotes member not in practice.*

Retirement and Election of Members of the Council

7. The following members of the Council retiring under bye-law 5 are eligible for re-election. Their names having been submitted to the district societies concerned and no other nominations having been made, the Council recommends their re-election:

Mr Thomas Austin Hamilton Baynes, M.A., F.C.A., Birmingham.
Mr Bernhard Heymann Binder, F.C.A., London.
Mr James Blakey, F.C.A., Manchester.
Mr Charles William Boyce, C.B.E., F.C.A., Bradford.
Mr Paul Francis Granger, F.C.A., Nottingham.
Mr Henry Crewdson Howard, F.C.A., London.
Sir Russell Kettle, F.C.A., London.
Mr William Roberts MacGregor, F.C.A., Liverpool.
Mr Charles Urie Peat, M.C., M.A., F.C.A., London.

Hospitality

8. The President and members of the Council entertained the Rt. Hon. the Lord Mayor of London, Sir Frederick Rowland, F.C.A., with Alderman and Sheriff C. L. Ackroyd and Major and Sheriff Stanley W. Wells, M.B.E., C.C., at a luncheon in the Oak Hall of the Institute on Friday, June 2nd, 1950.

9. The President and members of the Council entertained the Rt. Hon. the Lord Rennell, K.B.E., C.B., partner in Morgan Grenfell & Co Ltd, the Rt. Hon. the Lord Leathers, P.C., C.H., Chairman Wm. Cory & Son Ltd, Sir Edward Bridges, G.C.B., G.C.V.O., M.C., Permanent Secretary to H.M. Treasury, Mr John B. Braithwaite, Chairman of Stock Exchange, Dr R. W. Moore, Headmaster of Harrow School, and Mr J. M. S. Green, M.B.E., Financial and Industrial Editor of *The Times*, at a luncheon held in the Oak Hall of the Institute on Tuesday, December 12th, 1950.

10. The Council believes that great advantages accrue to the Institute from the entertainment of distinguished guests at functions such as these luncheons and the President's dinner. The cost of the luncheons and of the dinner, except so far as it related to the President's personal guests, has therefore been borne by the Institute and is charged in the accounts under the heading of 'Hospitality'.

Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A.

11. As a mark of its great appreciation of the valuable services which Sir Harold Howitt has rendered and continues to render to the Institute, the members of the Council subscribed for his portrait to be painted by Mr Frank O. Salisbury, C.V.O. This portrait now hangs in the Oak Hall of the Institute and a replica by the artist has been presented to Lady Howitt. A reproduction in colour of the portrait was issued with *The Accountant* of January 20th, 1951.

Membership Changes

12. During the year 1950, 799 new members were admitted and 15 former members became members again – 13 through revocation of their exclusion and 2 through re-admission. Applications from 4 other former members

[1] The appendices and references to them in the report are not reproduced – Editor.

for revocation of their exclusion were also received, of which 2 were deferred, 1 was adjourned *sine die* and 1 was refused. Under clause 22 of the supplemental Royal Charter 20 members were excluded for non-payment of subscriptions, 2 members were excluded for discreditable conduct and 1 member was excluded, having been adjudged bankrupt. Forty-five members resigned and the deaths of 118 members were reported.

13. The number of members of the Institute on January 1st, 1951, was 15,260 against 14,632 on January 1st, 1950, being an increase of 628. The variations are shown by the following statement:

		Additions in 1950				Deductions in 1950					
MEMBERS	Members on Jan. 1, 1950	Admissions	Readmissions etc.	Changes	Total	Deaths	Resignations	Exclusions	Changes	Total Deductions	Members on Jan. 1, 1951
Fellows in practice ..	3172	—	—	*a.b.c.* 105	3277	31	1	1	*d.e.f.* 45	78	3199
Fellows not in practice ..	360	—	—	*d.i.* 40	400	16	7	2	*a.g.h.* 3	28	372
Fellows not in England or Wales .	144	—	—	*e.g.j.* 20	164	1	–	–	*b.i.* 2	3	161
Associates in practice ..	2658	8	—	*f.k.* 311	2977	16	1	3	*c.l.m.* 142	162	2815
Associates not in practice	6998	786	5	*h.l.n.* 90	7879	43	33	12	*k.o.* 421	509	7370
Associates not England or Wales ..	1300	5	10	*m.o.* 113	1428	11	3	5	*j.n.* 66	85	1343
	14632	799	15	679	16125	118	45	23	679	865	15260

(*a*) 1 Fellow not in practice became a fellow in practice.
(*b*) 1 Fellow not in England or Wales became a fellow in practice.
(*c*) 103 Associates in practice became fellows in practice.
(*d*) 39 Fellows in practice became fellows not in practice.
(*e*) 5 Fellows in practice became fellows not in England or Wales.
(*f*) 1 Fellow in practice became an associate in practice.
(*g*) 1 Fellow not in practice became a fellow not in England or Wales.
(*h*) 1 Fellow not in practice became an associate not in practice.
(*i*) 1 Fellow not in England or Wales became a fellow not in practice.
(*j*) 14 Associates not in England or Wales became fellows not in England or Wales.
(*k*) 310 Associates not in practice became associates in practice.
(*l*) 37 Associates in practice became associates not in practice.
(*m*) 2 Associates in practice became associates not in England or Wales.
(*n*) 52 Associates not in England or Wales became associates not in practice.
(*o*) 111 Associates not in practice became associates not in England or Wales.

Fellowship

14. During the year 1950, 117 associates were elected to fellowship. Two fellows became associates under clause 7 of the supplemental Royal Charter.

Reduced Subscriptions: Retired Members

15. The subscriptions of 307 retired members were reduced to £1 1*s* 0*d* for the year 1950 after consideration of applications under bye-law 43.

Disciplinary Action

16. Disciplinary action was taken during the year 1950 in the following cases as a result of formal complaints preferred by the Investigation Committee to the Disciplinary Committee. The findings and decisions of the Disciplinary Committee were published in *The Accountant.*

(*a*) Admonishment

A member was admonished, having been found to have been convicted at a court of summary jurisdiction of making a payment of £41 1*s* 6*d* without the permission of the Treasury to a person, in association with the receipt of 6,000 Belgian francs at Ostend.

A member was admonished, having been found guilty of an act discreditable to a public accountant within the meaning of clause 21 (3) of the supplemental Royal Charter in that, having been suspended from membership of the Institute for a period of one year, he during such period of suspension had displayed at an address a plate describing himself as a chartered accountant when not entitled to make use of such a description.

Three members, in partnership together, were admonished, having been found guilty of an act discreditable to a public accountant within the meaning of clause 21 (3) of the supplemental Royal Charter in that they accepted nomination as auditors of a private limited company without first communicating with the then auditors of that company.

Sixteen members were admonished for having failed to pay the subscription payable in respect of the year 1950 for four months after the same had become due.

(*b*) Reprimand

A member was reprimanded, having been found guilty of acts discreditable to a public accountant within the meaning of clause 21 (3) of the supplemental Royal Charter in that (i) he had practised in partnership with a person who is not a chartered accountant while at the same time using the designation 'Chartered Accountants' in connexion with the firm name and (ii) in the months of November 1948 and February 1949 he circulated or caused or allowed to be circulated letters soliciting business on behalf of his firm.

(*c*) *Exclusion*

A member was excluded from membership, having been adjudged bankrupt.

A member was excluded from membership, having been convicted upon indictment for conspiracy and causing to be made a false statement.

A member was excluded from membership, having been convicted on seven counts all relating to the misdemeanour of fraudulent conversion.

Twenty members were excluded from membership for having failed to pay the subscription payable in respect of the year 1950 for four months after the same had become due.

Professional Conduct: Statement by the Council

17. The following statement was approved by the Council on April 4th, 1951, for publication in the report of the proceedings of the Council:

Publication of Notices

'In amplification of the statement issued by the Council in 1945 concerning the question of notices and advertisements in publications and the Press (reproduced at page 77 of the *Members' Handbook*) the Council now makes the following further statement:

"No publication in the public Press (other than the accountancy Press) of notices of changes in partnerships or addresses should be made, obtained or permitted by a member or a firm in which a member is a partner. This applies whether or not the notice is charged for. The only exception is where notices are given pursuant to statutory provisions."

'The Council's statement in 1945 was in the following terms:

"The Council has had under consideration the question of notices and advertisements in publications and the Press, including those inserted by, and on behalf of clients.

"Members are aware that they are not allowed to advertise or circularize in such a manner as to attract business. Cases arise from time to time which may be interpreted as offering to undertake professional work, and this is frequently due to the manner in which the notice is worded.

"The Council wishes to impress upon members the desirability, in their own interests, of consulting the Secretary of the Institute, where there is the slightest

doubt, before inserting any advertisement or announcement in the public Press or otherwise." '

Sir Frederick Rowland, F.C.A., Lord Mayor of London

18. On September 29th, 1950, the President, as a Liveryman, proposed the vote of thanks to Sir Frederick Rowland, F.C.A., the retiring Lord Mayor of London, at a ceremony in Common Hall in Guildhall at the time of the election of the New Lord Mayor. It is believed to be the first occasion on which a President of the Institute has been in a position to be asked to propose this vote to a Lord Mayor who is a member of the Institute. The President's speech was reported in *The Accountant* of October 21st, 1950.

Honours, Decorations and Awards

19. The Council congratulates the following members who have received honours, decorations and awards:

Baronetcy

Sir F. Rowland, F.C.A.

K.B.E.

Sir A. E. Sylvester, F.C.A.

Knighthood

J. Keay, A.C.A. C.B.E.

C.B.E.

H. Bruckshaw, A.C.A., F. R. M. de Paula, O.B.E., F.C.A., C. G. Larking, F.C.A., R. E. R. Luff, LL.B., A.C.A.

O.B.E.

R. D. F. Hill, F.C.A., A. H. Norris, F.C.A., A. Pilling, F.C.A., J. Q. Shirreffs, A.C.A., C. M. Strachan, F.C.A.

M.B.E.

E. C. Anderson, A.C.A., E. I. Andrews, T.D., A.C.A., R. D. Edge, F.C.A., W. H. B. Mears, A.C.A., R. F. Shaw-Kennedy, M.A., A.C.A.

M.C.

E. J. Castello, T.D., A.C.A., D. Smith, F.C.A.

T.D.

E. I. Andrews, M.B.E., F.C.A., E. T. Ashworth, A.C.A., R. E. Barham, A.C.A., G. J. W. Bean, A.C.A., J. Becke, M.B.E., A.C.A., H. R. C. Bird, A.C.A., F. W. Boyce, M.C., F.C.A., H. B. Bradfield, M.C., F.C.A., B. H. Brewill, A.C.A., W. E. V. Burch, M.A., A.C.A., J. G. H. Canning, A.C.A., E. J. Castello, M.C., A.C.A., P. G. Craven, A.C.A., J. B. Cruse, A.C.A., L. S. Daniel, F.C.A., W. R. Doherty, A.C.A., J. H. Eltringham, B.COM., A.C.A., A. F. Evans, A.C.A., J. E. Evans, F.C.A. G. Frank A.C.A., D. Gillies, A.C.A., R. E. J. Gray, A.C.A., G. I. A. Grieve, A.C.A., E. R. Gunn, A.C.A., J. W. Harker, F.C.A., H. W. Hawkins, A.C.A., J. R. Herbertson, M.B.E., A.C.A., T. R. Hoddell, A.C.A., P. G. Hounsfield, A.C.A., A. S. Howell, A.C.A., C. D. Jacobs, A.C.A., C. A. H. Jenkins, A.C.A., A. A. Johnson, A.C.A., F. A. Jones, A.C.A., P. T. Jones, A.C.A., C. A. Lucas, M.A., A.C.A., G. R. Lucraft, A.C.A., J. McCann, M.A., F.C.A., D. C. McClintock, M.A., A.C.A., G. S. Major, B.COM., A.C.A., N. H. Martin, M.B.E., A.C.A., A. H. Montgomery, O.B.E., A.C.A., G. F. K. Morgan, M.C., F.C.A., A. R. d'A. Mount, B.A., A.C.A., L. P. Nicholls, F.C.A. R. C. Nickson, A.C.A., J. E. Osborne, A.C.A., R. St C. Page, F.C.A., W. F. Page, M.C., F.C.A., M. H. Parkins, A.C.A., H. H. Petley, M.A., A.C.A., A. Piper, A.C.A., J. Redmayne, O.B.E., A.C.A., W. Rose, A.C.A., F. S. Scott, A.C.A., R. F. Shaw-Kennedy, M.B.E., M.A., A.C.A., G. Shepherd, A.C.A., A. P. W. Simon, A.C.A., F. M. Stephens, A.C.A., G. M. Taylor, O.B.E., M.A., F.C.A., O Terry, M.A., A.C.A., G. F. Thornton, F.C.A., O. Turton, A.C.A., G. C. Tytheridge, A.C.A., R. E. Warlow, F.C.A., M. M. Watkins, A.C.A., D. H. Whinney, M.A., F.C.A., R. S. White, A.C.A., K. L. Young, A.C.A.

R.D.

S. T. C. Parkhouse, A.C.A.

V.R.D.

C. P. Bunney, A.C.A., E. W. E. Chapman, M.A., F.C.A., D. W. Souter, A.C.A., C. R. Wood, A.C.A.

E.D.

I. E. A. Clark, A.C.A.

Deaths of Members

20. The Council records with regret the death of Mr William Cash, F.C.A., London, a member of the Council from 1908 to 1942 and President for the two years 1921–22 and 1922–23.

21. The Council also records with regret that the deaths of the following members have been reported up to the date of preparing this report:

S. Allport, F.C.A., London; H. Ashby, F.C.A., Knebworth; R. Aston, F.C.A., London; A. H. Ballard, D.S.C., F.C.A., London; W. L. Bate, F.C.A., Bristol; H. C. S. Bell, F.C.A., Cheltenham; F. C. Bevan, F.C.A., Swansea; F. B. Bishop, F.C.A., London; S. Blythen, O.B.E., F.C.A., Nottingham; E. Boam, A.C.A., Hove; E. Boothroyd, F.C.A., Bromley; J. G. Boss, A.C.A., Seaton Delavel; F. E. Branstone, A.C.A., Surbiton; R. W. Brown, F.C.A., Wigan; R. Brown, A.C.A., Manchester; G. W. R. Brownscombe, F.C.A., Hove; J. G. Buckley, A.C.A., Portsmouth; E. G. Bygrave, A.C.A., London; E. J. Carter, A.C.A., Slough; J. B. Cartwright, A.C.A., Northampton; W. F. Castledine, A.C.A., Derby; H. J. Chaloner, A.C.A., Manchester; H. T. Chambers, O.B.E., A.C.A., Weston-super-Mare; W. H. Chantrey, F.C.A., London; B. Collett, F.C.A., London; B. Collinge, F.C.A., Blackpool; A. Collins, F.C.A., Bristol; C. Collins, F.C.A., Liverpool; F. H. Conning, A.C.A., London; A. E. S. Cook, F.C.A., Liverpool; F. W. Coomber, B.A., F.C.A., Northwood; J. G. Dalton, F.C.A., Calcutta; W. A. Davidson, F.C.A., Hoylake; H. J. T. Day, M.A., F.C.A., Birmingham; H. W. Denton, A.C.A., Ipswich; A. E. H. Digby, B.A., A.C.A., Guernsey; G. G. Duddell, A.C.A., Ipoh; G. H. Edmondson, A.C.A., Hove; S. M. Frost, A.C.A., Leicester; T. D. Galloway, A.C.A., Gateshead-on-Tyne; E. Gledhill, A.C.A., New York; R. H. S. Gobbitt, M.B.E., M.A., A.C.A., Wallingford; G. A. Goggs, A.C.A., London; R. N. Gooch, F.C.A., London; H. M. Graham, F.C.A., London; S. H. L. Greaves, M.B.E., A.C.A., Oldham; E. Green, A.C.A., London; R. Green, A.C.A., Birmingham; G. C. Griffiths, A.C.A., Falmouth.

A. C. R. Hare, F.C.A., London; T. H. Hargreaves, F.C.A., Burnley; F. Harrison, F.C.A., Bradford; W. Harrison, F.C.A., London; E. Hart, F.C.A., London; H. Hartley, F.C.A., Saltash; G. F. Haskins, A.C.A., London; F. C. Hayward, A.C.A., Ontario; R. F. Helm, F.C.A., Hull; P. R. Hill, A.C.A., Sydney, N.S.W.; E. S. Howard, F.C.A., London; C. Hughes, LL.B., F.C.A., Beaconsfield; J. A. Hugill, A.C.A., Manchester; B. Hull, A.C.A., Stellenbosch, S. Africa; S. W. Hutton, A.C.A., London; B. Ibbetson, A.C.A., Ocala, U.S.A.; P. A. Ide, A.C.A., Sao Paulo; C. L. James, A.C.A., Weston-super-Mare; E. D. Jones, A.C.A., London; H. Kay, A.C.A., Stockport; C. Killby, F.C.A., London; L. G. Lane, F.C.A., London; J. M. Lees, F.C.A., Manchester; A. W. Lepine, A.C.A., Carshalton; W. Lewis, A.C.A., Oldham; R. G. Longcroft, LL.B., F.C.A., London; A. B. Lucas, F.C.A., London; A. McCarmick, A.C.A., Leeds; D. R. MacDonald, F.C.A., London; L. O. McMillan, A.C.A., Sutton; A. Martin, A.C.A., Southampton; E. G. A. Mason, A.C.A., Leicester; C. E. Mather, A.C.A., New Jersey; F. N. Matthews, F.C.A., Fareham; J. H. S. Matthews, F.C.A., Blackburn; E. A. Mercer, A.C.A., Leicester; A. Minton, F.C.A., London; A. E. Mitchell, F.C.A., Chesterfield; J. H. Mitchell, A.C.A., Lytham St Annes; H. Moorhouse, A.C.A., Manchester; J. T. Morris, F.C.A., London; H. W. Moss, A.C.A., Scarborough; J. T. Naylor, A.C.A., Hereford; J. T. Norris, A.C.A., Sidcup; C. M. A. Ogle, F.C.A., London; E. J. Olson, A.C.A., Clitheroe.

The Lord Palmer, B.A., A.C.A., Maidenhead; B. W. Peck, A.C.A., New York; C. H. Penny, A.C.A., Paignton; W. H. Percival, F.C.A., London; R. B. Petre, F.C.A., London; K. R. Phillips, A.C.A., London; B. G. Pike, F.C.A., London; R. H. Porter, F.C.A., Bexhill-on-Sea; G. A. Pruddah, F.C.A., Liverpool; A. Rawlins, M.A., LL.B., F.C.A., London; L. H. Regan, A.C.A., Seattle, U.S.A.; C. E. Riding, A.C.A., Torquay; F. Rowlands, F.C.A., London; B. Sangster, F.C.A., Slough; E. R. Schoffield, A.C.A., Singapore; B. Silcock, F.C.A., Warrington; R. Simpson, A.C.A., Harrow; H. Smith, A.C.A., Southbourne; H. J. Snowden, B.A., A.C.A., London; A. P. Spreckley, F.C.A., Nottingham; E. G. Starkie, M.B.E., A.C.A.,

Leeds; L. R. Stevens, F.C.A., London; F. H. Stevenson, A.C.A., Hoylake; R. O. Stone, A.C.A., Johannesburg; P. R. R. S. Storrey, A.C.A., Long Eaton; C. S. M. Taylor, A.C.A., Swansea; F. E. Taylor, A.C.A., Worthing; H. Taylor, F.C.A., Manchester; D. Thompson, A.C.A., Accrington; N. Thornber, A.C.A., Bradford; F. M. Thurman, A.C.A., Liverpool; A. E. Treacher, A.C.A., London; H. Trenchard, A.C.A., Leeds; G. F. Turner, A.C.A., Welwyn Garden City; W. E. Turner, A.C.A., Mansfield; W. P. Vickerman, A.C.A., Hull; E. Vickers, F.C.A., Liverpool; E. H. Walker, F.C.A., Manchester; A. Watson, A.C.A., Manchester; J. R. Watson, O.B.E., A.C.A., Colchester; W. J. Watt, F.C.A., London; L. D. Watts, F.C.A., Haifa; A. H. Weller, A.C.A., Malvern; E. W. Wentzell, A.C.A., London; V. Wheeler, A.C.A., London; R. H. Whitehill, B.COM., F.C.A., Birmingham; F. N. Whiteley, A.C.A., Bournemouth; H. E. Whittles, A.C.A., Hitchin; F. L. Williams, F.C.A., Liverpool; T. G. Williams, A.C.A., Fleetwood; T. O. Williams, F.C.A., Birmingham; R. B. Wood, A.C.A., Enfield; K. J. M. Worley, F.C.A., Eastbourne; J. Wrigley, B.A.(COM.), A.C.A., Manchester.

22. Mr Edward Hart, F.C.A., whose death is recorded above, was the last survivor of the original members admitted on May 11th, 1880, having previously been admitted to membership of the Institute of Accountants on February 20th, 1880.

National Service

23. On August 4th, 1950, the President of the Institute sent the following letter to the Rt. Hon. George Isaacs, M.P., Minister of Labour and National Service:

'You will remember that, during the 1939–45 war, accountancy was a reserved occupation and that when deferment was introduced it was readily available in the case of practising accountants and qualified members of their staffs.

'There are many members of this Institute, in practice or in such employment, who qualified after their release at the end of the war and are liable to be called up in the event of the mobilization of reserves.

'I am desired by the Council of the Institute to request you to consider the possibility of providing, in advance of the contingency, for the exemption or deferment of such members. The Council feels sure that you will appreciate the importance from the national point of view of avoiding any interruption of the services provided by accountancy firms, particularly in view of the great depletion which would inevitably take place on the mobilization of the Territorial Army and other volunteer services.

'Firms are still suffering from an acute shortage of qualified staff which was caused by the war. It may also be pointed out that in the case of many firms senior partners have retired since the war, involving the newly-admitted partners and qualified staff in greater responsibility in the conduct of the professional work of their firms.'

The Minister replied on August 16th, 1950, as follows:

'You wrote to me on August 4th about practising accountants and qualified members of their staffs who might be called up in the event of the mobilization of reserves. You will appreciate that it is very difficult to draw up detailed plans for reservation or deferment appropriate to the circumstances of a hypothetical emergency at some unknown time in the future. The basis of reservation must inevitably depend on circumstances and priorities at the time. The points you make have, however, been noted. You will, of course, appreciate that, because the Services could not, in any case, re-absorb reservists at more than a certain rate, only a proportion of those liable would be recalled in the early stages of an emergency.'

24. As a result of information received from various members of the Institute it became necessary for the President to send the following further letter to the Rt. Hon. Aneurin Bevan, M.P., the new Minister of Labour and National Service on March 8th, 1951.

'On August 4th, 1950, I wrote a letter to your predecessor, the Rt. Hon. George Isaacs, on the subject of the reservation of accountants in the event of mobilization of reserves. I enclose a copy of my letter and a copy of the reply dated August 16th, 1950, which I received from Mr Isaacs.

'Mr Isaacs' reply included the statement that "the basis of reservation must inevitably depend on circumstances and priorities at the time. The points you make have, however, been noted". It had been assumed from Mr Isaacs' letter that when the occasion arose the Ministry of Labour and National Service would, in the national interests, consult the accountancy profession with a view to making suitable arrangements for the reservation of qualified accountants in public practice and the qualified members of their staffs. In the absence of any communication from the Ministry and any definite statement in the House of Commons, it had further been assumed that the subsequently announced call-up of reservists for fifteen days' training was regarded by the Ministry of Labour and National Service as being a matter for the service departments and that accordingly there was no question of any reservations or "screening" in connexion with the call-up of these reservists.

'A number of members of my Institute who are in public practice have communicated with the Secretary protesting against their recall for fifteen days' training and in such cases it has been the practice of the Secretary to reply on the lines of the above-mentioned understanding of the position.

'It is now apparent, from further correspondence with such members and from the statement made in the House of Commons on March 5th, 1951, by the Parliamentary Secretary to the Ministry of Labour and National Service, that the position is entirely different from what had been assumed. I am disturbed to find that a system of reservation has been employed by the Ministry of Labour and National Service without any further communication with me in connexion with the position of qualified accountants in public practice. The matter has become particularly serious in view of the following part of the above-mentioned statement by the Parliamentary Secretary:

"With regard to the recall of 'Z' reservists for training this year, the reservation of men has been based on the provisional arrangements which would be applied if, on the threat or outbreak of war, the recall of a substantial number of reservists became necessary. . . . There would be little point in recalling reservists for training this summer unless they were likely to be available in an emergency, and call-up for training this summer is therefore prima facie an indication of availability for recall in an early emergency."

'My attention has been drawn to the issue of recall notices to a number of members of the Institute who are in public practice. Some of these members are over the age of 35 and have been informed that their recall has been "screened" by the Ministry of Labour and National Service. In view of the "screening" which has taken place, without apparently taking into account the importance in the national interests of the work undertaken by qualified accountants in public practice, the Council of the Institute has authorized me to ask you to give the matter urgent consideration. I will be pleased to arrange for representatives of my Institute and of the other accountancy bodies which are recognized by the Board of Trade under Section 161 of the Companies Act, 1948, to discuss the matter with you or your representatives.

'If such discussions result, as I trust they will, in arrangements for the reservation of qualified accountants in public practice and the qualified members of their staffs, I hope you will be able to give an assurance that the position of accountants who may in due course be eligible for reservation will not be prejudiced by their having received a notice of recall for fifteen days' training.'

As a result of the foregoing letter arrangements have now been made for the matter to be discussed with the Ministry.

Examinations

25. Examinations were held in May and November 1950, the Preliminary examinations in London and Manchester and the Intermediate and Final examinations in London, Birmingham, Leeds, Liverpool (November only) and Manchester. The following were the results:

	Passed	Failed	Disqualified	Total No. of Candidates	*Comparative figures, 1949*
Preliminary	217	323	—	540	*407*
Intermediate	1,089	1,261	1	2,351	*2,245*
Final	864	1,171	—	2,035	*1,706*
Total	2,170	2,755	1	4,926	*4,358*

26. In view of the large number of candidates now sitting for the examinations a new centre was established as a temporary measure in Liverpool for the Intermediate and Final examinations held in November 1950. While the number of candidates remains large, this centre will continue to be used in addition to London, Birmingham, Leeds and Manchester. The Preliminary examination will be held in London and Manchester only.

Disqualification of Examination Candidate

27. The following statement was published in *The Accountant* of January 13th, 1951:

> 'The chairman of the Examination Committee reported that a candidate in the November 1950 Intermediate examination had been found to be in possession of study notes in the examination room during one of the papers and that the Examination Committee had, after inquiry, disqualified this candidate and informed him that he would not be allowed to present himself for examination on any subsequent occasion.'

Prizes and Certificates of Merit

28. Candidates were placed in order of merit and awarded prizes and certificates of merit, as shown below:

FINAL EXAMINATION

May 1950

First Certificate of Merit, the Institute Prize, the 'W. B. Peat' Medal and Prize, the 'O. C. Railton' Prize for the year 1950, and the 'Plender' Prizes for the General Financial Knowledge, Cost Accounting and English Law (Part II) Papers

Edward Ernest Ray .. .. London

Second Certificate of Merit, the 'Walter Knox' Scholarship, and the 'Plender' Prize for the Taxation Paper

Brian Runciman Pollott .. .. London

Third Certificate of Merit

Herbert Cyril Jackson .. .. Retford

Fourth Certificate of Merit

Donald Arthur Bussell .. .. London

Fifth Certificate of Merit and the 'Plender' Prize for the Advanced Accounting (Part I) Paper

Denis William Turner .. .. London

Prizes awarded to candidates who were not placed in order of merit (names in alphabetical order):

The 'Plender' Prize for Advanced Accounting (Part II)

Gerald Norman Donaldson .. .. London

The 'Plender' Prize for English Law (Part I)

Peter Francis Harrison .. .. .. London

The 'Frederick Whinney' Prize and the 'West' Prize

James Edward Hobbs .. .. .. Birmingham

The Auditing Prize and the 'Plender' Prize for Auditing

Toby Hoffman .. .. London

FINAL EXAMINATION

November 1950

First Certificate of Merit, the Institute Prize, the 'W. B. Peat' Medal and Prize, and the 'Plender' Prizes for Advanced Accounting (Part II), English Law (Part I) and English Law (Part II)

Yashbir Singh Tayal .. .. .. London

Second Certificate of Merit, the 'Walter Knox' Scholarship and the 'Frederick Whinney' Prize

Cyril Figov .. .. London

Third Certificate of Merit and the 'Plender' Prize for Taxation

John Herbert Hewitt .. .. .. Nottingham

Fourth Certificate of Merit, the Auditing Prize and the 'Plender' Prize for Auditing

Geoffrey Reginald Deveson .. .. London

Prizes awarded to candidates who were not placed in order of merit (names in alphabetical order):

The 'Plender' Prize for Advanced Accounting (Part I)

Ralph Norman Gait Clarke .. .. Leicester

The 'Plender' Prize for General Financial Knowledge and Cost Accounting

Alan Douglas Freeman .. .. .. London

The 'Roger N. Carter' Prize

Frederick Stanley Jones.. .. .. Manchester

INTERMEDIATE EXAMINATION

May 1950

First Certificate of Merit, the Institute Prize and the 'Stephens' Prize

Anthony Meeson.. .. .. .. London

Second Certificate of Merit

Edward Henry Bond .. .. .. London

Third Certificate of Merit (2)

John Travers Clarke .. .. .. London

Julian Esmond Smith .. .. .. London

Fifth Certificate of Merit

Stanley John Hemmings .. .. London

Sixth Certificate of Merit (2)

Walter Leslie Bottomley .. .. Liverpool

Thomas William Snowdon .. .. Manchester

Eighth Certificate of Merit, the 'Frederick Whinney' Prize and the 'Plender' Prize for Book-keeping and Accounts (Limited Companies)

William Charles Cull .. .. .. Southampton

Ninth Certificate of Merit (2)

Herbert James Balls .. .. .. Norwich

Alfred Samuel Masters .. .. .. London

Eleventh Certificate of Merit (2)

Reginald Smith .. .. Leeds

Peter Edward Warrington .. .. Harrogate

Prizes awarded to candidates who were not placed in order of merit (names in alphabetical order):

The 'Plender' Prize for Book-keeping and Accounts (Executorship)

Roland Keith Bigwood .. .. .. Bristol

The 'Plender' Prize for General Commercial Knowledge

Reginald John Glisson .. .. .. Birmingham

The 'Plender' Prize for Auditing

William Lindop Hall .. .. .. Sunderland

The 'Plender' Prize for Taxation and Cost Accounting

Colin Taylor Jackson .. Newcastle upon Tyne

The 'Plender' Prize for Book-keeping and Accounts (Partnership)

Sidney Edward Speer .. .. .. London

The 'West' Prize

George Alexander Terrett .. .. Worcester

INTERMEDIATE EXAMINATION

November 1950

First Certificate of Merit, the Institute Prize and the 'Plender' Prizes for Book-keeping and Accounts (Limited Companies) and Taxation and Cost Accounting

Dudley Lawrence Range .. .. London

Second Certificate of Merit and the 'Robert Fletcher' Prize

Gerald Alan Pearlman .. .. .. London

Third Certificate of Merit

Desmond Francis Collins .. .. London

Fourth Certificate of Merit, the 'West' Prize and the 'Plender' Prize for General Commercial Knowledge

Walter Richard Dean .. .. .. Birmingham

Fourth Certificate of Merit, the 'Frederick Whinney' Prize and the 'Plender' Prize for Book-keeping and Accounts (Partnership)

Manoranjan Ratilal Shroff .. .. London

Sixth Certificate of Merit

Kenneth Charles Peto Barrington .. London

Seventh Certificate of Merit

Michael Henley Jenner .. .. East Grinstead

Eighth Certificate of Merit and the 'Plender' Prize for Book-keeping and Accounts (Executorship)

John Ullman .. .. London

Ninth Certificate of Merit

John Albert Arnold .. .. .. London

Tenth Certificate of Merit

Michael Richard Jarrett .. .. London

Eleventh Certificate of Merit

Donald Cyril Jolly .. .. .. London

Twelfth Certificate of Merit (2)

Robert Lovell Matthew .. .. .. London
Howard Williams .. .. .. London

Fourteenth Certificate of Merit (2)

Leslie Harrison .. .. London
Frank William Letch .. .. .. London

Prize awarded to a candidate who was not placed in order of merit:

The 'Plender' Prize for Auditing

Derrick Thomas Rodgers .. .. London

PRELIMINARY EXAMINATION

May 1950

First Certificate of Merit, the Institute Prize, and the 'Deloitte' Prize for the year 1950

John Francis Norman Jackson .. .. Sunderland

PRELIMINARY EXAMINATION

November 1950

No candidates were placed in order of merit.

Publication of Examination Results

29. During the year 1950 there was a further increase in the number of candidates taking the examinations. Over 400 more candidates sat for the Intermediate and Final examinations than in 1949. It was therefore again necessary to defer the publication of the examination results until the first Wednesday in the August or February following the examination. Candidates were, however, notified individually of their success or failure at the earliest possible time before the official date of publication. This practice will again be followed in 1951.

Unsuccessful Examination Candidates

30. The following statement was published in *The Accountant* of June 17th, 1950:

'On the report of the Examination Committee it was decided to issue the following statement:

"In order to assist candidates and to guide principals in advising their articled clerks, the notice sent to unsuccessful candidates in the Intermediate and Final examinations will show the aggregate marks gained in those cases where the candidate is regarded by the moderators as a 'bad failure' in the examination as a whole." '

and the following further statement was published in *The Accountant* of February 17th, 1951:

'At its meeting on June 7th, 1950, the Council decided that unsuccessful candidates at the Intermediate and Final examinations should be advised of their aggregate marks in those cases where the candidate was regarded by the moderators as a "bad failure" in the examination as a whole.

'Out of a total of 155 who received such notices in the May 1950 Intermediate examination, 69 candidates sat again in November 1950. In the Final examination the respective numbers were 62 and 14. None of these candidates was successful.

'In the November 1950 examinations 112 and 75 candidates respectively were classified as "bad failures".

'The Council considers that it is the duty of a principal to see the failure notice of any of his articled clerks who has been unsuccessful in an examination of the Institute.'

31. A letter has been sent to the principals of all articled clerks who were graded as 'bad failures' in the November 1950 Intermediate examination giving the opinion of the moderators that

'a candidate who has been a "bad failure" has little chance of passing the examination at a subsequent attempt unless the bad failure can be attributed to exceptional circumstances such as illness, totally inadequate preparation or complete lack of effort'.

Syllabus of Examinations

32. *Consolidated accounts.* The Council has decided that questions on consolidated accounts shall not be set in the Intermediate examination. An announcement to that effect was made in *The Accountant* of December 16th, 1950.

33. *Elements of English law.* The following statement was published in *The Accountant* of August 12th, 1950:

'On the report of the Examination Committee it was resolved:

That the following revised synopsis relating to the elements of English law in the General Commercial Knowledge paper in the Intermediate examination be published:

Elements of English law. Candidates should have a general knowledge of the following matters: the nature, origin and development of common law, equity and statute law; the system of case law; the functions of the various courts of justice; the judges and main officers concerned with the administration of the law; the elements of the law relating to property (real and personal), persons, torts and contracts (including agency). Questions will NOT be set upon constitutional law, criminal law, probate, divorce and admiralty law, emergency legislation, the practice of the courts, specific statutes or decided cases.

'The foregoing revised synopsis is not intended to imply any change in the nature of the paper.'

34. *Slide rules.* The Council has decided to permit in future the use of slide rules by candidates at the Intermediate and Final examinations. An announcement to that effect was made in *The Accountant* of February 17th, 1951.

Exemption from the Preliminary Examination

35. *Bye-law* 78. During the year 1950, certificates of exemption from the Preliminary examination were issued to 1,242 persons who had passed exempting examinations compared with 1,020 in the previous year.

36. *Bye-law* 79. During the year 1950, exemption from the Preliminary examination was granted to 23 persons, not being under 30 years of age, who made applications under bye-law 79, which relates to persons who at the date of

application have been for ten years continuously in employment as clerks to members in practice. One application was refused.

37. *General certificate of education.* The Council has given further consideration to the conditions under which the new general certificate of education examination which comes into force in 1951 will be recognized under bye-law 78 (*b*) for exemption from the Preliminary examination and has decided to amend its regulations published in *The Accountant* of January 14th, 1950 (page 54 of the last report). The Council's statements setting out these amendments were published in *The Accountant* of June 17th, 1950, and February 17th, 1951.

38. *London matriculation.* A minor amendment has been made to the regulations under which the matriculation examination of the University of London is recognized under bye-law 78 (*b*) for exemption from the Preliminary examination. The Council's statement of the amendment was published in *The Accountant* of August 12th, 1950.

39. *Scottish leaving certificate.* At its meeting on February 7th, 1951, the Council decided to recognize subject to certain conditions the Scottish leaving certificate examination of the Scottish Education Department which was introduced in 1950 in place of the senior leaving certificate examination. The conditions were set out in the Council's statement published in *The Accountant* of February 17th, 1951.

40. *Northern Ireland.* The Council has defined the conditions under which it will accept the senior certificate examination of the Ministry of Education in Northern Ireland from 1952 consequent upon the changes which it is proposed to introduce in that examination in that year. The conditions were set out in the Council's statement published in *The Accountant* of December 16th, 1950.

Articles of Clerkship

41. *Registrations.* During the year 1950, the number of articles of clerkship registered was 1,440, compared with 1,305 in 1949. The total registrations in the five years to December 31st, 1950, were 7,191.

42. *Prescribed clauses.* Applications have been received for permission to waive the inclusion of some of the provisions prescribed under bye-law 51 for inclusion in all articles. Four applications were granted and thirteen were refused during the year 1950.

43. *Students from overseas.* A letter from the secretary of the Institute, regarding students from overseas, was published in *The Accountant* of June 17th, 1950.

Bye-laws 61 and 85 (b)

44. Persons who have been for ten years continuously in employment as clerks to members in practice (or have had experience which in the opinion of the Council is equivalent to such employment) may apply for a reduction in the period of service under articles (bye-law 61) and exemption from the Intermediate examination (bye-law 85 (*b*)). Applicants were in all cases interviewed by a sub-committee unless they had already been interviewed in connexion with a previous application under bye-law 79 (see paragraph 36). The applications considered during the year 1950 under these bye-laws were as follows:

Bye-law 61: 35 applications of which 32 were granted.
Bye-law 85 (b): 39 applications of which 26 were granted.

The Training of Articled Clerks

45. *Bye-law 58 (c).* Applications were received during the year 1950 in four cases for approval under bye-law 58 (*c*) for an articled clerk to spend periods not amounting to more than six months in all in an industrial, commercial or other suitable organization. Approval was given in each case.

46. *County colleges.* Since the report for 1947 there have been no developments regarding the position of articled clerks between the ages of 16 and 18 years under the county college provisions of the Education Act, 1944, as no regulations have yet been made for compulsory attendance at such colleges.

47. *Carr-Saunders report.* On March 29th, 1951, a notice was issued to all members inviting them to apply for copies of a report on 'Education and Training for Membership', prepared by the Council in view of the nature of the recommendations made by the Carr-Saunders Committee in its report on Education for Commerce (referred to in paragraph 48 of the last report). The report by the Council will be distributed widely to persons and associations concerned with education.

The Universities and the Accountancy Profession

48. *Bye-law 85 (a).* During the year 1950, exemption from the Intermediate examination was granted to 35 articled clerks who had graduated after taking one of the degree courses approved for the purpose of Bye-law 62.

Articled Clerks: National Service

49. *Bye-law 63.* The Council has continued to grant concessions and exemptions under Bye-law 63, in regard to service under articles and examinations, to persons who were born before January 1st, 1929, and have been affected by national service. During the year 1950 the following applications were acceded to:

36 exemptions from the Preliminary examination;
28 exemptions from the Intermediate examination;
109 reductions in period of service under articles.

In addition a large number of clerks whose articles expired during national service were required, on application for admission to membership after passing the Final examination, to submit evidence of not less than three instead of five years' service with practising members.

50. *Concession to unsuccessful candidates.* Candidates for the Intermediate and Final examinations who have been unable, for at least a year since entering into articles, to continue their studies by reason of whole-time national service, have again received special consideration (subject to various limitations necessary to safeguard the standard) whereby an unsuccessful candidate may be permitted at the next examination to sit for specified subjects only. This concession applies only to persons born before January 1st, 1929, and there are now few candidates who fall within its terms. Of the 864 successful candidates in the May and November 1950 Final examinations, 1 had been granted a concession under this arrangement. The number for the Intermediate examinations was 5 out of 1,089 successful candidates.

51. *Booklet AC4.* The Institute's booklet 'Articled Clerks Affected by National Service' (AC4) has been rearranged and renamed 'Concessions and Exemptions Available to persons by reason of National Service' (AC4). The new booklet relates only to concessions and exemptions. All other information regarding national service (such as the deferment regulations and the position of articled clerks who elect not to take deferment) is now contained in the booklet 'General Information and Syllabus of Examinations'.

52. *Deferment of national service.* Subject to the rules mentioned in paragraph 55, persons born on or after January 1st, 1929, are not eligible for the concessions and exemptions mentioned in paragraphs 49 and 50. Such persons are eligible for deferment of national service provided certain conditions are satisfied. A change made by the Ministry of Labour and National Service in one of the regulations regarding deferment was reported in *The Accountant* of November 11th, 1950. The current deferment regulations affecting students are set out in the Institute's booklet 'General Information and Syllabus of Examinations'.

53. *Articled clerks not taking deferment.* If, notwithstanding the deferment arrangements, an articled clerk born on or after January 1st, 1929, proceeds to compulsory national service (otherwise than by recall or re-engagement) during his term of service under articles, the period of national service does not count as service under articles for the purposes of the Royal Charters. He is required to complete under articles the normal full period of service with a practising member. Full information as to the position

of the parties and the particulars to be registered with the Institute are given in the booklet 'General Information and Syllabus of Examination'.

54. *Part-time national service.* Under the National Service Act, 1948, as amended by the National Service (Amendment) Act, 1948, there is a liability for part-time national service during a period of normally four years from the date of completion of whole-time national service. During this period an articled clerk can be required to undergo training for any periods not exceeding in the aggregate sixty days during the whole of his term of part-time service and twenty-one days in any year of that service. A statement by the Council regarding the position of the articled clerk was published in *The Accountant* of August 12th, 1950. The statement does not concern articled clerks who have obtained deferment of their whole-time national service until after completion of their service under articles. The same statement gave the view of the Council regarding the absence of an articled clerk from his principal's office for a normal period of training by voluntary service in the territorial army or one of the other volunteer services.

55. *Recall or re-engagement for national service.* A statement was published in *The Accountant* of January 13th, 1951, setting out new rules which the Council has made for the granting of concessions and exemptions under Bye-law 63 where a person has been recalled or re-engaged for a further period of whole-time national service. A statement was published in *The Accountant* of March 31st, 1951, regarding the position of an articled clerk who is required to undergo a period of fifteen days' training required of certain reservists.

56. *Principals engaged on national service.* A statement was published in *The Accountant* of January 13th, 1951, regarding the position of articled clerks whose principals become engaged on whole-time national service.

57. *Further Education and Training Scheme.* Since the last report the Institute has been in correspondence with the Ministry of Labour and National Service in regard to about 50 new applications (bringing the total to over 5,350) by articled clerks, ex-articled clerks and prospective articled clerks, for financial assistance under the Further Education and Training Scheme. Many of these 5,350 applications have been the subject of further correspondence in regard to second attempts and, in appropriate cases, third attempts at the examinations. Since the last report, the Ministry of Labour and National Service has imposed a further restriction in certain cases on the granting of awards under the scheme. This restriction was reported in *The Accountant* of October 14th, 1950.

Students' Societies

58. Further progress has been made during the past twelve months in the formation of students' societies. A new society has been established at Oxford and it is understood that plans are being made to form a Grimsby and North Lincolnshire Society.

Union of Chartered Accountant Students' Societies

59. Following the precedent set up in 1950, a meeting was held in March 1951 at which officers and students forming a liaison sub-committee of the chartered accountant students' societies met the President, with three members of the Council and members of the secretarial staff of the Institute. This meeting again provided an opportunity for a most useful discussion on matters of interest to articled clerks.

Summer Courses

60. *1950.* The fourth summer course, held at Christ Church, Oxford, from September 7th to 12th, 1950, was attended by 164 members of whom 91 were in practice, 36 were engaged in industrial and other occupations and 37 were engaged with public accountants. Four addresses were delivered as follows: 'The effect of death duties on industry', by Mr T. A. Hamilton Baynes, M.A., F.C.A.; 'The auditor's report – its evolution in the U.S.A.', by Mr G. Cochrane, F.C.A., C.P.A.; 'Is it true and fair?' by Mr W. G. Densem, A.C.A.; and 'Industrial management and the accountant', by Mr A. B. Waring, A.C.A. The full text of these four addresses together with the programme for the course, was subsequently reprinted in the form of a booklet for which an order form was sent to all members on October 5th, 1950.

61. *1951.* A fifth summer course, on similar lines, is to be held from September 9th to 14th, 1951, at Christ Church, Oxford. Arrangements have been made for four addresses to be delivered as follows: 'An accountant's office organization and working papers', by Mr S. M. Duncan, F.C.A.; 'Some reflections on industrial profits', by Mr H. P. Finn, A.C.A.; 'Auditing', by Mr W. H. Lawson, C.B.E., B.A., F.C.A.; and 'The development of the profession in Australia', by Mr H. W. Chancellor, F.C.A.(AUST.). An announcement giving preliminary details and inviting members to obtain application forms, was issued to all members on February 15th, 1951, and the application list will remain open until April 30th, 1951, after which vacancies will be allotted by ballot.

62. *1952.* The governing body of Christ Church, Oxford, has kindly agreed to provide accommodation for a sixth course to be held from September 12th to 17th, 1952.

Autumnal Meeting

63. The Council has accepted the invitation of the Bristol and West of England Society of Chartered Accountants to arrange for the holding of the twentieth autumnal meeting at Torquay on October 11th, 12th and 13th, 1951. An announcement to this effect was sent to all members of the Institute residing in England and Wales on March 29th, 1951. Mr E. G. Turner, M.C., F.C.A., has undertaken to give an address on 'The effects of taxation on industry and the individual', and Mr T. A. Hamilton Baynes, M.A., F.C.A., and Mr W. G. Campbell, B.A., F.C.A., have consented to give a joint address on 'The valuation of holdings in private limited companies.'

Meetings of Accountancy Bodies Abroad

64. *Charlottetown, Prince Edward Island.* Mr A. Ballantyne, A.C.A., represented the Institute at the forty-eighth annual meeting of the Dominion Association of Chartered Accountants held at Charlottetown, Prince Edward Island, from August 21st to 25th, 1950.

65. *Boston, Massachusetts.* Mr T. B. Robson, M.B.E., M.A., F.C.A., represented the Institute at the sixty-third annual meeting of the American Institute of Accountants held at Boston, Massachusetts, from October 2nd to 5th, 1950.

66. *Amsterdam.* Mr D. A. Clarke, LL.B., F.C.A., represented the Institute at the Accountants' Yearday organized by the Nederlands Instituut van Accountants at Amsterdam on October 21st, 1950.

Visitors to Meetings of the Council

67. During the year the Council was pleased to welcome at its meetings the following accountants who were paying visits to the United Kingdom:

Mr G. Cochrane, F.C.A., C.P.A., President of the New York State Society of Certified Public Accountants and a Past Vice-President of the American Institute of Accountants.

Mr N. R. Mody, F.C.A., a member of the Council of the Institute of Chartered Accountants of India.

Institute Dinner

68. Although preliminary arrangements were made for the holding of an Institute dinner in October 1950 it was later decided that, in view of the uncertain conditions which prevailed in the middle of last year, it should not be held.

Sixth International Congress on Accounting

69. The sponsoring bodies have announced that the Sixth International Congress on Accounting will be held in the halls of the Royal Horticultural Society, Westminster, London, SW1, in the week commencing June 16th, 1952. Further particulars will be issued in due course. The following will be hosts:

The Institute of Chartered Accountants in England and Wales.
The Society of Incorporated Accountants and Auditors.
The Society of Accountants in Edinburgh.
The Institute of Accountants and Actuaries in Glasgow.
The Society of Accountants in Aberdeen.
The Association of Certified and Corporate Accountants.
The Institute of Chartered Accountants in Ireland.
The Institute of Municipal Treasurers and Accountants.
The Institute of Cost and Works Accountants.

70. The Institute's representatives on the International Congress Council are the President, the Vice-President, Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A., Mr T. B. Robson, M.B.E., M.A., F.C.A., Mr Gilbert D. Shepherd, M.B.E., F.C.A., and Sir Nicholas Waterhouse, K.B.E., M.A., F.C.A. The Secretary of the Institute has been appointed Secretary of the Congress Council.

District Societies

71. The annual meeting of representatives of the district societies and of the Council took place on October 10th, 1950. It provided, as usual, an opportunity for free discussion of current problems and matters of interest which had been placed on the agenda by the committees of the district societies. The President and Secretary have again paid visits to district societies on the occasion of their annual dinners and have, whenever possible, visited students' societies and attended inaugural meetings of branches and groups both of district and students' societies. The Council is pleased to note the special efforts that have been made by certain societies to increase their membership.

72. The Council is pleased to record the formation of two new branch societies of district societies. The North Yorkshire and South Durham branch of the Leeds, Bradford and District Society of Chartered Accountants was established early in 1950, and the President attended the inaugural dinner of the branch at Darlington on April 26th, 1950. The Cumberland branch of the Northern Society of Chartered Accountants was formed in October 1950, and the President attended the inaugural dinner at Carlisle on January 26th, 1951.

Taxation

73. *Taxation treatment of provisions for retirement.* A memorandum was submitted on March 14th, 1951, by the Council to the Committee on the Taxation Treatment of Provisions for Retirement, set up by the Chancellor of the Exchequer under the chairmanship of Mr J. Millard Tucker, K.C. The membership of this committee (as in the case of the first Tucker Committee, referred to in paragraph 80 of the last report) includes Mr W. S. Carrington, F.C.A., a member of the Council.

74. *Royal Commission on the Taxation of Profits and Income.* With the assistance of the Taxation and Research Committee the Council is preparing a memorandum of evidence for submission to the Royal Commission which has been set up under the chairmanship of Lord Justice Cohen. Mr W. S. Carrington, F.C.A., is also a member of the Royal Commission.

75. *Income-tax concessions, time-limits, Schedule E expenses.* In paragraphs 68 of the report for 1948 reference was made to a memorandum regarding (1) extra-statutory income-tax concessions, (2) income-tax time-limits and (3) Schedule E expenses, submitted to the Board of Inland Revenue on March 1st, 1949, by a joint committee appointed by the Institute, the Scottish chartered bodies, the Society of Incorporated Accountants and Auditors, and the Association of Certified and Corporate Accountants. There have been no further developments in connexion with time-limits or Schedule E expenses. A list of extra-statutory concessions given in the administration of the Inland Revenue duties, so far as the concessions are of general application and were in force on December 31st, 1949, was published in the form of an appendix to the ninety-third report of the Board of Inland Revenue (Cmd. 8103). The Board's report states that additions to and deletions from the list will be noted annually in future reports.

76. *Finance Bill, 1950.* A memorandum on the Finance Bill (now Finance Act, 1950) was submitted to the Chancellor of the Exchequer on May 18th, 1950, and discussed with representatives of the Board of Inland Revenue on May 31st, 1950. The Institute was represented by Mr T. B. Robson, M.B.E., M.A., F.C.A., Mr W. S. Carrington, F.C.A., and Mr G. G. G. Goult, F.C.A.

Accounting Principles

77. No new recommendations in the series of recommendations on accounting principles have been issued since the last report.

Statistics Relating to Income of and Capital Employed by Companies

78. A pamphlet of 'Notes on Statistics relating to Income of and Capital Employed by Companies' was issued to all members on February 15th, 1951.

Town and Country Planning Act, 1947

79. A pamphlet under the title 'The Town and Country Planning Act, 1947: Notes on the Accounting Implications of the Act', was issued to all members on February 15th, 1951.

Taxation and Research Committee

80. *Membership.* On October 4th, 1950, the Council decided to amend the constitution of the Taxation and Research Committee by increasing from eight to twelve the number of members who may be co-opted by the committee. The committee has since increased its membership accordingly.

81. *Meetings.* During the year 1950 the Taxation and Research Committee held 7 meetings, its four standing sub-committees held 12 meetings, and 13 special sub-committees held 52 meetings, making a total of 71 meetings for the committee and 17 sub-committees. (The comparative total for 1949 was 57 meetings.) All major matters were also considered by the regional taxation and research committees of the district societies.

82. *Activities.* The Taxation and Research Committee has been responsible for the major drafting work in connexion with the memoranda mentioned in paragraphs 73, 76, 78 and 79. Other matters are still under consideration.

Accountants' Reports for Prospectuses

83. The Secretary of the Institute sent a letter which was published in the *Financial Times* of August 5th, 1950, and a letter which was published in *The Economist* of August 19th, 1950, in connexion with reports of the High Court action in which a member of the Institute was acquitted of criminal charges arising out of the prospectus of Richard Crittall & Co Ltd.

Solicitors and Accountants: Formation of Companies

84. The following statement was published in *The Accountant* of August 12th, 1950:

> 'The Council wishes to remind members that the drafting and settling of memoranda and articles of association of companies should properly be left to solicitors.'

and was amplified by the following further statement published in *The Accountant* of December 16th, 1950:

> 'At its meeting on August 2nd, 1950, the Council stated that it wished to remind members that the drafting and settling of memoranda and articles of association of companies should properly be left to solicitors. Enquiries have since been received from various members as to whether or not that statement was intended to preclude members from assisting in certain cases of conversion of businesses into private limited companies. There is no objection to a member assisting a client in connexion with the formation of a company; in doing so he may give his views as to

the content of the memoranda and articles of association, particularly on the clauses relating to accounts. Whilst the Council is advised that a member who prepared a memorandum of association and articles of association would not by doing so be infringing the law, the Council is nevertheless of opinion that a member should not draft or settle the documents in final form, any suggestions he makes being with a view to assisting the legal advisers responsible for putting them into legal form.'

Government Accounting

85. Following the publication of the report of the Crick Committee on the Form of Government Accounts, the memorandum submitted to that committee in 1948 by the Council was published in *The Accountant* of July 22nd, 1950. Oral evidence was given by Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A.

Nathan Committee on Charitable Trusts

86. At its meeting on February 7th, 1951, the Council approved a memorandum for the Nathan Committee on Charitable Trusts. Mr G. L. C. Touche, B.A., F.C.A., gave oral evidence on February 9th, 1951, on the matters dealt with in the memorandum.

Accountants and Economists

87. The Joint Exploratory Committee, consisting of three members appointed by the Council and three members appointed by the National Institute of Economic and Social Research, has now submitted its report on 'Some accounting terms and concepts'. The report, which is the responsibility of the members of the Joint Exploratory Committee, is to be published by the Cambridge University Press.

Civil Service Class of Professional Accountants

88. A memorandum was submitted on November 29th, 1950, to assist a committee set up by the Treasury to report on the future organization, structure and remuneration of the civil service class of professional accountants.

Accountants' Joint Parliamentary Committee

89. The Accountants' Joint Parliamentary Committee has continued its work of watching all parliamentary matters relating to the qualification and status of accountants and auditors. Throughout the year under review the joint committee has been successful in maintaining the adoption by the Government of a form of audit clause which confines the choice of professional auditor to members of the accountancy bodies representea on the joint committee.

Approved Auditors

90. As the result of the representations made to the Registrar of Friendly Societies (referred to in paragraph 104 of the last report) a new scale of fees applicable to approved auditors under the Industrial Assurance and Friendly Societies Act, 1948, came into operation on January 1st, 1951.

91. A change has been made in the conditions of appointment of approved auditors. Under the revised conditions the appointment is for an indefinite period subject to three months' notice of termination. Annual letters of appointment will not therefore be sent in future to approved auditors; their appointments will continue until they are notified of termination or until they themselves give notice that they wish to relinquish appointment.

Draft Public Accountants Bill

92. At the annual meeting on May 3rd, 1950, the then President explained the reasons for the decision not to proceed further with the draft Public Accountants Bill which had been approved by members of the Institute and of the other sponsoring bodies at special general meetings held in June 1946. Fresh proposals for the regulation of the profession by means of a simpler form of legislation have been under consideration by the joint committee of the sponsoring bodies. If the present discussions bear fruit and result in new draft legislation which can be put forward by the joint committee as agreed proposals having the support of government departments, the necessary authority will be sought from members of the constituent bodies at special general meetings convened for the purpose before requesting submission to Parliament.

Legislation Overseas

93. Legislation and other activities in various parts of the world affecting the practice of accountancy and auditing have been watched closely and representations have been made when necessary through the appropriate channels.

Anglo-American Council on Productivity

94. At its meeting on April 5th, 1950, the Council decided to inform the Anglo-American Council on Productivity (in response to an approach from the Anglo-American Council) that the Institute approved the invitations which had already been sent to Mr F. J. Weeks, A.C.A., and Mr D. Williamson, A.C.A., to join a team to visit America to study works accounting and that, while the Institute was not prepared to sponsor the team or to take responsibility for its report, it was agreeable to contributing a sum not exceeding £180 towards the expenses of the investigation, in view of the importance to the accountancy profession in this country of the subject matter of the research which was to be undertaken. The amount which the Institute has contributed was £174 and the report of the team under the title 'Management accounting' was published in November 1950, by the Anglo-American Council on Productivity.

The P. D. Leake Trust Fund

95. The P. D. Leake Trust Fund (referred to in paragraph 108 of the last report) has not yet been paid to the Institute. The Council has appointed Messrs W. L. Barrows, F.C.A., W. G. Campbell, B.A., F.C.A., D. V. House, F.C.A., and Sir Russell Kettle, F.C.A., to act with the President as the committee which is required, under the terms of the will, to be appointed to administer the income when the fund has been received.

Library

96. Members are making more use of the library. Although the library was closed in August for redecoration, the signatures in the attendance book for the year 1950 number 9,092, compared with 8,389 in 1949. Members borrowed 3,939 volumes from the lending library, compared with 3,840 volumes in 1949. A new edition, dated June 1950, of the 'Short list of books in most frequent use' may be obtained without charge on application to the librarian. The Library Committee has gratefully acknowledged 90 gifts of books and pamphlets. Several American as well as British companies are presenting each year their balance sheets and reports. Pamphlets and periodicals continue to arrive from various parts of the world through the generosity of societies of accountants.

Appointments Register

97. Activity on the appointments register was generally at a lower level than in recent post-war years. In the latter part of the year there was, however, a substantial increase in the number of members seeking alternative employment at a higher salary level. The shortage of young members is now less acute but the demand for their services still exceeds their supply. There is some difficulty in placing some of the middle-aged and older members and the assistance of members is most welcome in this connexion.

Members' Handbook

98. A Members' Handbook was issued on October 5th, 1950, to all members of the Institute. A copy is sent to each new member on admission.

Institute Journal or Bulletin

99. It has not been practicable to consider further the proposal (referred to in paragraph 45 of the report for 1947) to issue a journal or bulletin periodically to all members,

Representatives on Other Bodies

100. *City of Birmingham Education Department.* Mr W. L. Barrows, F.C.A., has again been nominated as a representative of the Institute on the Commercial College Advisory Committee of the City of Birmingham Education Department.

101. *University of Sheffield.* Mr C. A. Smith, LL.M., F.C.A., has been nominated as a representative of the Institute on the Board of Economic Studies of the University of Sheffield.

102. *Municipal College, Southend-on-Sea.* Mr B. W. Vincent, M.A., F.C.A., has again been nominated as a representative of the Institute on the Commerce Advisory Committee of the Municipal College, Southend-on-Sea.

War Memorial

103. The Roll of Honour containing the names of 202 members of the Institute and of 273 articled clerks who lost their lives in the war of 1939–45 was dedicated by The Right Rev. the Lord Bishop of Stepney on Wednesday, March 7th, 1951, at St Michael's Church, Cornhill, London, EC3. The service was conducted by the rector, the Rev. Prebendary G. F. Saywell. Letters of invitation to attend the service were sent to the next of kin or relatives of those whose names are on the Roll and over 300 were present at the service. Those present at the service were afterwards invited to tea in the Oak Hall of the Institute.

104. The Roll of Honour, which has been beautifully written by Mrs Dorothy L. Mahoney of the Royal College of Art, on leaves of fine vellum and which has been bound by Mr Sydney M. Cockerell, of the firm of Douglas Cockerell & Son, is now on view in the library of the Institute. A fresh page of the Roll is turned each week. There is space at the end of the Roll where further names can be added.

105. A copy of the dedication service has been sent to relatives who were unable to attend the service, and a small booklet containing the names in the Roll has been printed and sent to those concerned.

Staff Pensions

106. The adoption of a revised scheme for pensions for the Institute's staff is still under consideration.

Investment Policy

107. The Council decided in December 1950 to invest part of the Institute's funds in variable dividend securities. Power to make such investments is given by Bye-law 24, item (*a*) (iv). The Council decided to invest in this manner up to one half of the funds available for investment. The stocks of insurance companies and investment trusts have been selected for this purpose in order to provide a wider spread of underlying investments than could otherwise be achieved with the limited funds available. Some investments in variable dividend securities were made in December and are shown in the schedule to the balance sheet at December 31st, 1950. Substantial further investments have since been made in order to give full effect to the Council's decision.

108. At various times in each year substantial funds are held although not available for investment as they are required for current liabilities later in the year. Such funds are now loaned to local authorities at short notice.

Accounts

109. The accounts for 1950,[1] duly audited, are annexed to this report. They show an excess of income over expenditure for the first time since 1939. The excess of £16,673 compares closely with the estimate of £17,000 mentioned by the then President at the special meeting in November 1949, when members adopted the amendments to Bye-law 42 increasing the subscription rates.

Auditors

110. The auditors, Mr Geoffrey Bostock, F.C.A., and Mr John Myers, F.C.A., retire in conformity with Bye-law 115 and are eligible for reappointment.

April 4th, 1951. H. GARTON ASH, *President.*

[1] Not reproduced. – Editor.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

SIXTY-FIFTH ANNUAL REPORT

Report of the Board of Governors to be presented to the sixty-fifth annual general meeting to be held at the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2, on Wednesday, May 2nd, 1951, at the conclusion of the annual meeting of the Institute of Chartered Accountants in England and Wales.

1. The Association on February 28th, 1951, consisted of 2,822 members, viz.:

The President	244 Annual Governors
63 Vice-Presidents	88 Life Members
15 Life Governors	2,411 Annual Members

being a net increase of 333 during the year.

2. The total expended by the Association in relief since its formation amounts to £179,258.

3. The relief granted, compares with the income during the last five years as follows:

Year	*Relief*	*Subscriptions*	*Interest and Dividends*
	£	£	£
1946–1947 ..	5,599	4,436	3,204
1947–1948 ..	5,634	4,415	3,097
1948–1949 ..	6,157	4,283	3,146
1949–1950 ..	6,721	4,473	3,383
1950–1951 ..	9,016	4,957	3,779

4. The grants made by the Association out of the 'W. B. Peat' Memorial Scholarship Fund amounted to £190.

5. During the year 14 new applications for assistance have been received; assistance is being given in 11 of these cases, and one case is still under consideration. In all, 83 cases are receiving assistance from the general fund, and 9 cases from the 'W. B. Peat' Memorial Scholarship Fund.

6. For the first time for several years a deficit is shown. This amounts to £600 and is due to:

(*a*) Special donations to aged beneficiaries totalling £1,350 – an abnormal expense which is unlikely in present circumstances to be as great as this in future years.

(*b*) An increase of £228 in current expenses due to the printing of a more detailed annual report.

(*c*) The continual necessity to increase grants owing to the rise in the cost of living.

7. In November 1950 the Board of Governors again found it to be necessary to make a substantial increase in the amounts of grants which are given to beneficiaries. These increases are not yet reflected in the amount charged in the accounts for relief and it is expected that the total expenditure in the current year will not be less than in 1950–51.

8. Representations have been made, but without success, to the Chief Inspector of Taxes for the allowance as a charge against profits of subscriptions paid to this Association by practising members of the Institute.

9. Since the last report, the Association has received legacies and special donations, amongst others, as follows:

Executors of the late Mr P. D. Leake, F.C.A.	£1,000	0	0
Executors of the late Mary Bowyer ..	700	0	0
The Bekonscot Model Railway and General Charitable Association ..	110	0	0
Mr W. L. Farr, A.C.A.	52	10	0
Mr J. B. Garside, F.C.A.	52	10	0
Executors of the late Mr J. E. Collins, A.C.A.	33	14	7
Executors of the late Mr J. T. Norris, A.C.A.	25	0	0
The Chartered Accountants' Lodge ..	10	10	0
The Council Luncheon Club	10	10	0

10. In March 1951 on the recommendation of the Executive Committee, the Board of Governors approved a change in the investment policy of the Association whereby a considerable proportion of its funds will be invested in other than fixed interest securities.

11. The Board is pleased to report that in February 1951 Crossways Trust opened the second of a number of homes which it is intended to establish for old people. This home is *Ridgemead*, Englefield Green, Egham, Surrey, which has been specially equipped for those who, while infirm, are not hospital cases. Those of our beneficiaries who are now in the first home in Worthing will be able to go on to *Ridgemead* should they become infirm.

12. The Board expresses its appreciation of the very kind offer of the Civil Service Benevolent Fund to make places available to beneficiaries of this Association in their convalescent home which has been opened recently a *Thirlestane*, Hindhead, Surrey, when there are vacancie in that home.

13. In December, 1950, food parcels were sent to all ou beneficiaries, and the Board of Governors wishes once agai to express its thanks to the members of the New Zealan Society of Accountants who made this distribution possible

14. The Board is most appreciative of the help which i has received from the sub-committees of the provincia societies in interviewing applicants for assistance.

15. The Board is also indebted to those district societie which have been active in carrying out a campaign to secur new members for the Association. This campaign ha resulted in the enrolment of 134 new members, 58 of then during this year, and has no doubt contributed to the tota increase in membership reported in paragraph 1.

16. The Board thanks the editor of *The Accountant* for th continued publicity which he has given to the Association

17. The Honorary Auditors, Mr Geoffrey Bostock, F.C.A. and Mr John Myers, F.C.A., retire and kindly offer them selves for reappointment.

18. The accounts for the year ended February 28th, 1951, duly audited, are annexed to this report.[1]

GEORGE R. FREEMAN,
President.

April 4th, 1951.

[1] Not reproduced. – Editor.

EAST ANGLIAN SOCIETY OF CHARTERED ACCOUNTANTS

DINNER AND DANCE IN NORWICH

The East Anglian Society of Chartered Accountants held their annual dinner at the Samson and Hercules House, Norwich, on Friday, April 20th, 1951; the occasion was marked by the presence, for the first time, of the ladies of the members and guests, for whom a dance was arranged to follow the dinner. Mr K. T. Boardman, A.C.A., President of the Society, was in the chair, and with Mrs Boardman, Mr H. Garton Ash, O.B.E., M.C., F.C.A., President of The Institute of Chartered Accountants in England and Wales, and Mrs Garton Ash, received the 184 members and guests who attended.

Among those present were Mrs Ruth Hardy, Lord Mayor of Norwich; The Right Honourable Lord Mackintosh of Halifax, D.L., LL.D., J.P., and Lady Mackintosh; Field Marshal Lord Ironside, G.C.B., C.M.G., D.S.O., His Honour Judge F. T. Alpe, and

Mr E. P. Broome, F.C.A. (*President, Nottingham Society of Chartered Accountants*), and Mrs Broome; Mr E. G. Davies, F.C.A. (*President, Birmingham and District Society of Chartered Accountants*), and Mrs Davies; Mr R. W. Duffield, F.C.W.A.; Mr J. F. Dunk, F.C.A. (*President, Sheffield and District Society of Chartered Accountants*), and Mrs Dunk; Mr Derek du Pré (*Editor, 'The Accountant'*).

Mr T. Fleming Birch (*President, Leicestershire and Northamptonshire Society of Chartered Accountants*); Mr J. A. Forsythe and Mrs Forsythe; Mr B. H. Hardy (*for Lady Mayoress of Norwich*); Mr O. W. Horne, M.C., F.C.A. (*President South Eastern Society of Chartered Accountants*), and Mrs Horne; Mr A. S. MacIver, M.C., B.A. (*Secretary, The Institute of Chartered Accountants*), and Mrs MacIver;

Mr G. B. Robins, F.C.A. (*President, Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants*), and Mrs Robins; Mr Bernard Storey (*Town Clerk, City of Norwich*), and Mrs Storey; Mr C. Stratford (*President, Norfolk and Norwich Incorporated Law Society*); Mr J. L. Thorpe (*H.M. Inspector of Taxes, Norwich 3rd District*) and Mrs Thorpe; Mr G. M. W. West, F.C.A. (*Presiden Liverpool Society of Chartered Accountants*), and Mrs Wes Mr L. Woolley (*H.M. Inspector of Taxes, Norwich 1 District*), and Mrs Woolley.

Foundation Stone of the Profession

Lord Mackintosh of Halifax caused a great deal c laughter with a speech liberally punctuated by ap after-dinner stories, when he proposed a toast to 'Th Institute of Chartered Accountants in England an Wales'. He touched on the qualities of integrity impartiality and industry as being essential to th profession and said that it was not just a question c honesty being the best policy. It was the very founda tion stone upon which the profession stood – and was not just a question of accuracy either. There ha to be honesty in all that they thought, in all that the did and all that they felt.

The Institute's Allegorical Ladies

Replying to the toast, Mr Garton Ash said:

'In responding to this toast tonight, I want to show wh a close association ladies have with the Institute, for th wife of a chartered accountant sees little enough of h husband in these exacting times *or*, if she does see him, h is generally immersed in some work that must be done once and over which he must not be disturbed!

'The Institute owes much to the influence of ladies. am not referring to the many on the Institute staff who c such excellent work, but to those allegorical ladies wh grace the Institute building.

'First of all, I must refer to the fact that our Royal Chart was granted in 1880 by a very great lady, the late Quee Victoria, from which time the scope of professional wo has developed in ever-widening conditions to whic members have shown a readiness to adapt themselves.

'I wonder how many of you have visited the Institute uilding and studied its architecture?

'Sir John Squire, writing about our building – which, ncidentally, is built on an old rubbish-dump, although hat, I hope, has no allegorical significance (Laughter) – ointed to the fact that the allegorical figures on the outside f the building symbolize everything to do with accountancy om wholesale to retail, from hardware goods to mining, om passenger traffic to goods traffic and also work in ne Dominions and Colonies.

'He drew particular attention to Thorneycroft's graceful atue of Justice. There are also the upper parts of two gures representing accountants – one in the act of examin- ng a candidate and the other auditing accounts. Those are vo most important parts of our work but I cannot ace that these figures depict any particular members. Laughter.)

'The figures I have so far referred to are all male figures ut when you come to the Council Chamber, there are two anels – one behind the President's chair – which shows a dy representing science, bringing order to Commerce ith scales and rule and the other over the door depicts a oup symbolizing Time on a winged globe crowning istice, peace secured by justice, and judgment slaying the ragon anarchy. All these have the most moral of meanings r those of us who spend much time in the council chamber. hope they have their due influence on our decisions.

'But it is the windows on the staircase which contain ne most interesting female figures representing accuracy, robity, experience, organization, prudence, enterprise nd knowledge. This is a true galaxy of high attainments. Laughter.)

'Certainly they hold for us very high ideals, to which hartered accountants have always aspired. I shall not tempt to analyse these attributes or how far they are rrectly applied – that would be far too dangerous.

'Two virtues which strangely enough are not shown, but which we have to pay particular attention are clarity and revity. Perhaps the artist who designed the windows found himself in a little difficulty over this.' (Laughter and applause.)

The Business Man's Best Friend

In replying to a toast to the City of Norwich, proposed by Field Marshal Lord Ironside, the Lord Mayor of Norwich (Mrs. Ruth Hardy) said that in these days of specialization in trade, commerce and industry, the accountant was the business man's best friend.

His expert knowledge and advice could do much to strengthen, to guide aright and to steady in these complex days. A city like Norwich, whose prosperity, century after century, had depended on its industry, owed more than it realized, possibly, to the skill and the integrity of her accountants.

The guests were toasted by Mr A. F. Kent, F.C.A., Vice-President of the Society, replied to by Judge Alpe, who is the judge of the ancient Norwich Guildhall Court of Record.

There was also a toast to the President, Mr K. T. Boardman, A.C.A., and the Honorary Secretary of the Society, Mr H. Robinson, F.C.A., proposed by Mr F. J. Eves, F.C.A., a former president of the Society, who praised the great work they had done for the organization and for the profession locally.

In reply, the President thanked Mr A. S. H. Dicker, M.B.E., F.C.A., a member of the Council of the Institute, for his constant assistance.

Mr Robinson, also replying, said that happy relationships were the secret of the success of the East Anglian Society, which had the largest percentage of members in proportion to potential membership of any district society in the country.

A delightful evening concluded with dancing.

NOTES AND NOTICES

The Institute of Chartered Accountants in England and Wales

MEMBERS' ADDRESSES WANTED

he Secretary of the Institute would be glad to now the present addresses of the following members f the Institute. The town at which the member as last known is shown after each name:

Percy William Aston, F.C.A., *Colwyn Bay.*
Herbert Gordon Carter, A.C.A., *Guildford.*
Stanley Joseph Dent, A.C.A., *Pinner.*
William Mortimer Fieldhouse, A.C.A., *Chester.*
Roy Mackenzie, A.C.A.; *London, W3.*
William John Piper, A.C.A., *Ashford.*
John Eric Rowe, A.C.A., *Abbots Langley.*
Kenneth Lloyd Watson, A.C.A., *Harrow.*

Personal

IESSRS JOHN GORDON, HARRISON, TAYLOR & CO, hartered Accountants, of 7 Bond Place, Leeds, 1, nnounce that Mr RONALD WILLIAM CARR, A.C.A., Ir MAURICE MYERS, A.C.A., A.S.A.A., Mr JOHN LLIOTT SCHEERER, A.C.A., and Mr LESLIE TEMPEST, C.A., senior members of their staff, all of whom rved their articles with the firm, have been admitted partners as from April 12th, 1951.

MESSRS BILLSONS, CULLEN & BROOME announce that the partnership terminated by mutual consent on March 31st, 1951, when Mr W. B. CULLEN, F.C.A., retired in order to devote full time to his various directorships. The Nottingham practice at Vernon House, Friar Lane, will be continued by Mr E. P. BROOME, F.C.A., and Mr C. M. FOXON, F.S.A.A., under the style of BROOME, FOXON & CO, whilst Mr D. MCKELVIE, C.A., will continue the London practice at 4 Lloyds Avenue, EC3, under the style of DONALD MCKELVIE & CO.

MR T. F. CHATER, F.C.A., F.S.A.A., practising as CATTELL & CHATER, at Bank Chambers, High Street, Kettering, and at Rushden and Corby, announces that as from April 2nd, 1951, he has taken into partnership Mr G. R. DREVER, Incorporated Accountant, and Mr A. W. MORRIS, Incorporated Secretary, both of whom have been members of his staff for some years. The name of the firm will remain unchanged.

MESSRS RUBERY & CO, of Sun Building, Bennetts Hill, Birmingham, 2, announce that after over forty years' connexion with the firm, Mr W. F. WYATT, F.C.A., retired on March 31st, 1951. The remaining partners will continue to practise under the style of RUBERY & CO, as hitherto.

Messrs Singleton, Fabian & Co, Chartered Accountants, of 65 London Wall, EC2, and 30 Southampton Buildings, Chancery Lane, WC2, regret to announce that Mr John Percy Tilley, after thirty-two years as a partner, has decided to relinquish professional practice, and retired from the firm as from March 31st, 1951.

Messrs Price Waterhouse & Co announce that they have resumed their pre-war practice in Germany and have opened an office at Harvestehuder Weg 22, Hamburg 13, telephone 44.09.53/4. Mr W. Voors is the resident partner.

Mr Howard Jones, F.C.A., of Scottish Union Chambers, 110 Colmore Row, Birmingham, 3, announces that he has admitted Mr Thomas Pelham Hawker, A.C.A., into partnership as from April 1st, 1951. The practice will continue under the style of Howard Jones & Co.

Mr D. A. Blofield, F.C.A., who retired from the firm of Rowley, Pemberton & Co, Chartered Accountants, on March 28th, 1951, announces that he has commenced practice on his own account at Throgmorton House, 15 Copthall Avenue, London, EC2. Telephone: Monarch 7925.

Messrs Surrey, Bishop & Co, Chartered Accountants, of London and Hendon, announce that, following the death in November last of Mr F. B. Bishop, the continuing partners decided upon a rearrangement of the practice as from April 1st, 1951. By mutual consent the existing partnership has been dissolved and two new partnerships have been formed, namely: A. & C. Surrey & Co (Mr Alfred C. Surrey, F.C.A., and Mr C. Charles Surrey, F.C.A.); P. B. Bishop & Co (Mr Peter B. Bishop, M.C., A.C.A., and Mr Reginald W. Edwards, A.C.A.). The office addresses and telephone numbers of both firms remain unchanged.

Professional Note

The Friends' Provident & Century Insurance announce the appointment of Mr Michael G. Brigham, M.A., A.C.A., to the position of assistant accountant at their London head office.

Obituary

William Herbert Chantrey, F.C.A.

A memorial service was held at St Mark's, North Audley Street, London, W1, on Friday, April 20th, 1951, in memory of the late Mr William Herbert Chantrey, F.C.A., who passed away on Sunday, March 18th, 1951, at Mentone, after a short illness.

Mr Chantrey had been a member of the Institute for over 50 years. Placed first in the Final examination, he was admitted an Associate of the Institute in 1896 and was elected a Fellow in 1901. He commenced practice in 1896 at 57 Moorgate, London, EC, in partnership with his brother, George H. Chantrey, under the style of Chantrey, Chantrey & Co, and continued so until he amalgamated in 1919 with Howard Button, Hamp & Co, the firm afterwards being known as Chantrey, Button & Co.

Mr Chantrey was for many years on the London Members' Committee, of which he was appointed chairman in 1933, and he was also a keen supporter of the London Chartered Accountant Students' Society, of which he remained a member until his death.

He was a recognized authority on a number of accountancy subjects, and was the author of a standard work on theatrical accounts, and of works dealing with the Companies Act, 1929, and hire-purchase transactions.

For many years a resident in North-west London Mr Chantrey was greatly interested in the welfare of the Willesden General Hospital.

Fred Harrison, F.C.A.

It is with regret that we record the death of Mr Fred Harrison, F.C.A., senior partner until his retirement in October 1950, in the firm of Howard, Harrison & Co, chartered accountants of Bradford.

Articled to the late Thomas Howard, J.P., F.C.A. Mr Harrison was admitted an Associate of the Institute in 1924 and was taken into the partnership o Howard & Maisey. He was elected a Fellow of th Institute in 1932. After the death of his partners Mr Harrison practised on his own account for a time but in 1934 he was joined in partnership by Mr Walte Howe, F.C.A., under the new style of Howard Harrison & Co.

Mr Harrison was keenly interested in the work o the Methodist Church in which, from time to time he had held almost every office available to a layman Predeceased by his only daughter, Mr Harriso recently celebrated his golden wedding and he i survived by his wife.

Harold Edmund Barham, J.P., F.C.A.

We learnt with regret of the recent death, at the ag of 81, of Mr Harold Edmund Barham, J.P., F.C.A. senior partner in the firm of Carnaby Harrowe Barham & Co, chartered accountants, of Colleg Hill Chambers, London, and Guernsey.

Admitted an Associate of the Institute in 1894, h was the co-founder of his firm with the late Mr C Carnaby Harrower in 1897, and he was elected a Fello of the Institute in 1901. Mr Barham was for man years honorary auditor of the Union of Chartere Accountant Students' Societies.

Always interested in public and social work, M Barham was a member of the Chislehurst Urba District Council for many years and he was chairma from 1919 to 1924, continuing as a member of th Chislehurst-Sidcup Council until his retirement i 1936. Mr Barham was honorary auditor of a numb of local associations and societies and of the Sidcu Cottage Hospital. He was for twenty-two yea president of the Sidcup, Chislehurst and the Cra Local Association of Boy Scouts and on his reti ment from that office in 1948 he was presented with gold 'Thanks Badge' and a letter of appreciation fro the Chief Scout.

In Parliament

CAPITAL ISSUES COMMITTEE: INSTRUCTIONS

Mr CHAMPION asked the Chancellor of the Exchequer what fresh instructions he has issued to the Capital Issues Committee.

Mr GAITSKELL: I have today addressed a memorandum to the Capital Issues Committee. As on previous occasions, the banks are being asked to observe the principles of this memorandum in granting credit to customers. I am confident that, as I said in my Budget statement, I can continue to rely on them to maintain restraint in their credit policy, and, in particular, to ensure that advances are not made for the increased finance of hire-purchase, particularly of consumer goods, for any speculative purposes, or for capital expenditure or investment which would conflict with the intentions of the revised principles of guidance to the Capital Issues Committee.

The terms of the memorandum are as follow:

'1. It is necessary to restate the principles on which the Capital Issues Committee will consider applications in view of the changed circumstances resulting from re-armament and other developments.

'2. In general, the applications will be considered against the background of the Memorandum of Guidance of May 31st, 1945 (Cmd. 6645), subject to the special considerations set out below and to a strict and critical examination of all proposals.

'3. The Committee will continue to recommend approval of issues or borrowings where it is satisfied that these will continue to be needed for the effective maintenance of existing facilities for necessary goods and services.

'4. In respect of applications which call for new investment for the purpose of expansion, the Committee will take into account that the main emphasis of Government policy is now on

(*a*) Projects which are essential to enable approved defence programmes to be achieved.
(*b*) Projects which will alleviate basic deficiencies, particularly of raw materials.
(*c*) Marked and direct contributions to import saving and particularly dollar saving.
(*d*) Increased exports of a continuing nature to desirable markets.
(*e*) Marked technical advances and new products of importance, and developments making possible substantial reductions in costs.

'5. The Committee is aware of the importance attached by the Government to keeping down expenditure at home and to discouraging any measure likely to lead to anything more than a modest increase in dividends distributed. It will understand likewise that any distribution of capital appreciation which might lead to spending out of capital would, in the view of the Government, be contrary to the national interest. In addition to these considerations the Committee, in making recommendations regarding bonus issues and issues containing a bonus element, should bear in mind that all of the following requirements are also to be fulfilled: that the application relates as a single operation to the capitalization of true reserves and is one which will benefit the stability, credit or efficiency of the undertaking; that it does not take a form which will enable tax liabilities to be reduced; and finally that it is in the public interest having regard to the general directions to the Committee.

'6. The Capital Issues Committee will, as hitherto, rely upon the various Government departments for advice and comment on particular applications, and departments have been instructed that such advice should be specific in character.

'7. This Memorandum supersedes the Memorandum of April 14th, 1949, and Sir Stafford Cripps' letter of December 13th, 1949.'

Hansard, April 17th, 1951. Written Answers, Col. 152.

Revenue Paper: Easter Sittings, 1951

COURT OF APPEAL

The following cases are down for hearing in the Court of Appeal:

Public Trustee as Executor of T. R. Evans (*deceased*) *v.* C.I.R.
Star Cinemas (London) Ltd & Majestic (Derby) Ltd *v.* C.I.R.
Davies (Inspector of Taxes) *v.* Shell Co of China Ltd.
Rellim Ltd *v.* Vise (Inspector of Taxes).

CHANCERY DIVISION

The following cases are down for hearing in the Chancery Division:

Sir Henry H. Dale and Others *v.* C.I.R.
Lamson Paragon Supply Co Ltd *v.* C.I.R.
G. M. Higgs (Inspector of Taxes) *v.* Sir Laurence Olivier.
F. T. Faulconbridge (Inspector of Taxes) *v.* National Employees' Mutual General Insurance Association Ltd.
F. T. Faulconbridge (Inspector of Taxes) *v.* Thomas Pinkney & Sons Ltd.
Johannesburg Consolidated Investment Co Ltd *v.* C.I.R.
Trinidad Leasehold Ltd *v.* C.I.R.
Union Corporation Ltd *v.* C.I.R.
C.I.R. *v.* Cravens Railway Carriage & Wagon Co Ltd.
G. G. Green (Inspector of Taxes) *v.* Cravens Railway Carriage & Wagon Co Ltd.

'National Income for 1950'

In Table I of last week's leading article on the National Income the 'Income arising in the United Kingdom' for 1949 was printed as £11,439 million. That is the figure given in the White Paper, but on enquiry, it was stated that the correct figure is £10,439 million.

The Nottingham Society of Chartered Accountants

The report of the committee of the Nottingham Society of Chartered Accountants, for the year ended December 31st, 1950, shows an increase in membership of eighteen, bringing the total to 154.

The Saturday morning classes for articled clerks arranged by the Tuition Scheme Committee have been well attended, for the six months' session ending in May 1950 there were 131 enrolments and for the session to November 1950, 125 enrolled. The report states that as from last May the classes have been financially self-supporting.

During the year the Council of the Institute approved an increase in the maximum number of members of the committee from twelve to sixteen.

The following officers have been elected for the ensuing year:

President: Mr E. P. Broome, F.C.A.
Vice-President: Mr J. S. F. Hill, A.C.A.
Hon. Secretary and Treasurer: Mr J. S. F. Hill, A.C.A.
Hon. Librarian: Mr C. E. Akeroyd, F.C.A.
Hon. Auditor: Mr H. R. Hilton, F.C.A.

Committee: Messrs H. B. Bradfield, M.C., F.C.A.; J. B. Burnie, F.C.A.; R. W. Cox, F.C.A.; H. J. Clarke, F.C.A.; P. Doughty, F.C.A.; W. L. Dunn, F.C.A.; T. Higson, F.C.A.; A. B. Inger, A.C.A.; O. A. J. Ling, F.C.A.; T. R. Moore, A.C.A.; C. L. O'Callaghan, A.C.A.; H. F. Palmer, M.B.E., F.C.A.; T. W. Rigley, A.C.A.; L. W. Underwood, F.C.A.

North Lancashire Branch of the Manchester Society of Chartered Accountants

The annual report of the committee of the North Lancashire Branch of the Manchester Society of Chartered Accountants records another year of satisfactory progress; total membership at February 28th last was 201.

The branch is composed of six sub-branches (or town societies). During the year a library was formed in Burnley, in addition to those already in existence in Blackpool, Chorley, Fleetwood and Preston.

Among the matters considered by the committee during the year were: holidays and pay of staff serving in the Reserve Forces; examination syllabuses; solicitors and accountants: formation of companies; articled clerks' premiums; Taxation and Research Committee memoranda.

The report comments on the successful one-day conference held in Blackpool in March 1950 in conjunction with the branch annual meeting. This year's annual general meeting was held in Preston on March 15th and was followed by an informal dinner.

Officers and committee elected for the year 1951–52 are as follows:

Chairman: Mr G. Waterworth, F.C.A.
Vice-Chairman: Mr W. St L. Palmour, F.C.A.
Hon. Secretary: Mr W. Hare, Jnr., M.A., F.C.A.
Hon. Treasurer: Mr F. H. Walsh, F.C.A.
Committee: Messrs D. G. Bee, F.C.A., A. Bleazard, F.C.A., F. H. Brown, A.C.A., H. Denner, F.C.A., J. D. Eckersley, A.C.A., T. N. Foster, J.P., F.C.A., J. Goulding, F.C.A., M. S. Owen, A.C.A., D. H. Preston, A.C.A., N. Pritchard, A.C.A., W. Richardson, A.C.A., J. E. Sagar, A.C.A., T. Thornton, A.C.A., E. W. Wells, F.C.A., A. E. Willmoth, A.C.A., G. A. Wormleighton, A.C.A.

Double Taxation Relief

Burma

A supplementary protocol to the double taxation agreement between the United Kingdom and Burma (Cmd. 7935) was signed in Rangoon on April 4th. The protocol, which is subject to ratification, extends the main agreement to cover the Burma business profits tax. The text will be published shortly.

Greece

An Order in Council in respect of the double taxation arrangements (which apply to Cyprus as they apply to the United Kingdom) with Greece, relating to air transport profits, was made on April 9th, and has now been published as Statutory Instrument 1951, No. 618.

Education for Management Team Sails for U.S.A.

An education for management team led by Lieut.-Col. Lyndall Fownes Urwick, O.B.E., M.C., M.A., F.I.I.A., and sponsored by the British Institute of Management, which is visiting the United States under the auspices of the Anglo-American Council on Productivity and the Economic Co-operation Administration, sailed for America in the *Queen Mary* on Tuesday last.

Our Weekly Problem

We regret that pressure on our space this week prevents the publication of this feature.

The Accountant

ESTABLISHED 1874

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TRAINING FOR THE PROFESSION

IN June 1946, the MINISTER OF EDUCATION set up a special committee under the chairmanship of SIR ALEXANDER CARR-SAUNDERS

> 'To consider the provision which should be made for education for commerce and for the professions relating to it, and the respective contributions to be made thereto by universities and by colleges and departments of commerce in England and Wales.'

As was pointed out in a leading article in this journal when the Committee's report was published in December 1949, the precise object of the enquiry was not entirely clear.[1] The Committee appeared to make rather heavy weather, firstly in defining a profession, and secondly, in deciding what were the 'professions relating to' commerce. Its interpretation of a profession was

> 'any body of persons, using a common technique, however meagre in content and however little related to fundamental study, who form an association one purpose of which is to test competence in the technique by means of examinations.'

On the strength of this definition, which had certainly breadth if not depth, the Committee decided that its enquiry should extend to education for, *inter alia*, wholesale and retail and import and export trades, transport and shipping, the professions so-called, management and administration and even shorthand-typing.

It now seems evident that the MINISTER OF EDUCATION, after due consideration, is anxious to implement some of the recommendations contained in the report. Accordingly, the Council of The Institute of Chartered Accountants in England and Wales has issued a long statement giving its views on these as far as they would affect the accountancy profession. This document, which runs to fifty pages, was originally drafted in March 1950, but was not issued until it was known what action, if any, the Government would take.

The Council is firmly of the opinion that

> 'If the recommendations now made by the Carr-Saunders Committee were implemented in relation to the training, education and examinations for membership of The Institute of Chartered Accountants in England and Wales, the result could only be to jeopardize the position of the Institute and its present and future members.'

There is no doubt that the character of the existing syllabus of the Institute would have to be radically altered. The lowest age at which a clerk could become articled would be 18 years instead of 16 at present. Until then his education would be 'vocational' which means that he would receive instruction in 'general commercial

[1] *The Accountant*, January 14th, 1950.

subjects', common to accountancy and other professions, at a technical and commercial college. The syllabus of the Intermediate examination of the Institute would have to be amended so as to include only 'general commercial subjects'. It would thus be unified with those of all the other accounting bodies which would be subjected to similar changes. Eventually the Intermediate examination would virtually be eliminated because exemption would be given to students who, by reason of their 'vocational education' in technical and commercial colleges, had obtained a revised form of the 'ordinary national certificate for commerce'. The syllabus of the Institute's Final examination would also be co-ordinated with those of the other accounting bodies so as to eliminate what is called 'unnecessary variation in syllabuses in common subjects'. Holders of the revised form of the existing 'higher national certificate for commerce' would obtain partial exemption from this examination. Existing methods of tuition would be replaced by the introduction, in technical and commercial colleges, of courses standardized on an 'all purpose' basis so that clerks studying for the examinations of different accounting bodies would take the same course. Finally, these courses would be undertaken concurrently with office training during articles on the alternating or 'sandwich' principle.

The purpose of the Council's report is to demonstrate how incompatible this standardized form of training would be with the highly individual education necessary for articled clerks in the profession. It describes in some detail the history and significance of the Institute, the system of articles, the practical training and the theoretical study involved, and the amount of leave granted for the latter, the general educational background of the student and the facilities available for widening his intellectual horizon, particulars of the examination diets and the requirements of national service. Emphasis is placed on the flexibility of this curriculum which is specially designed to prepare students for the wide variety of work which as accountants they may be called upon to perform. The Council concludes by stating that the right method of training future chartered accountants is to equip them with

> '(*a*) sound technical knowledge of the principles underlying all the work of the profession; (*b*) a working knowledge of the law which affects the work of the profession; (*c*) the widest possible practical experience of the application of those principles and legal requirements; (*d*) an understanding of the ethics of the profession, which can be appreciated fully only by gradually absorbing the atmosphere of the professional office; and (*e*) the widest possible education in a broader sense than the strictly vocational training and experience implied by (*a*) to (*c*) above'.

The Council has presented with lucidity and point a case which seems at first sight to be unanswerable. It has behind it a tradition and authority of more than seventy years, during which time the Institute has grown steadily both in membership and prestige. Yet the individual accountant may wish to examine, or re-examine, the recommendations for himself rather than accept unquestioningly the opinions, however ably expressed, of either side. He may also want to know, for example, what views the other eminent accounting bodies may hold on the matter, or, most important of all, if the quality of service which the corpus of qualified accountants have to offer to the community would be raised, or lowered, by the changes. But before he attempts to answer, or to obtain the answer to these and other questions, he will want as a starting point a better definition of a profession than that evolved by the Committee. We offer him, in its place, that given by LORD SIMON some years ago:

> 'First of all, a profession essentially involves this, that it is based on preliminary study and, it may be, examination on the general principles of the pursuit. In the second place, a profession, I venture to think, essentially involves this, that the profits which may be made from its pursuit do not primarily depend upon the command of great quantities of capital. Thirdly, and most important of all, a profession is a pursuit which is followed not solely as a livelihood, but always subject to overriding duties, prescribed by a code of professional honour involving in an especial degree the strict observance of confidences, in which the work that we do must be rendered to our clients without stint, in proportion to our clients' need rather than in proportion to the reward which we receive.'

There can be little doubt that if the CARR-SAUNDERS Committee had accepted this premise at the outset of their long deliberations, they might have arrived at conclusions more in keeping with the distinctive character of the accounting profession.

THE FINANCE BILL

IT is nearly always necessary to take two bites at the cherry in order to summarize the Government's annual budget proposals. The first bite is possible immediately after the Budget – see our issue dated April 14th, 1951 – when the proposals introduced primarily with a view to increasing or decreasing the financial burdens of the taxpayer are outlined. The second, which is often of greater interest to practitioners, must await publication of the Bill because Chancellors of the Exchequer are apt to dismiss other proposed amendments with a phrase apiece. And changes in the mechanics of assessment, or provisions dealing with avoidance devices, which can be adequately described in a single phrase are rare indeed. This year, one such proposal was not mentioned at all in the Budget speech; yet it is likely to be a centre of controversy throughout the passage of the Bill.

Emigré Companies

Sometimes for financial, historical, or sentimental reasons, and sometimes simply because the persons concerned prefer to live in England, many companies which operate almost wholly abroad are controlled and 'managed' by a board of directors meeting in this country. From the economic point of view, the continuance of this state of affairs is of the greatest importance to the United Kingdom, not merely because the prestige of the City of London as a financial centre is involved, but because commodity markets, orders for capital equipment, and trade generally, tend to concentrate in the place where such control is exercised. A problem of growing seriousness in recent years has been that the high level of taxation in this country is leading an increasing number of such companies to seek domicile abroad. The exodus would undoubtedly have been greater if it were not for the provisions of the Exchange Control Act, 1947, which itself is a temporary, however necessary, expedient. It is against this wider economic background, and not merely by reference to the immediate loss of tax, that clause 32, which attempts to deal with the situation, must be judged.

A few taxation concessions to companies operating foreign mines have been made in the recent past, and more are suggested by the MILLARD TUCKER Committee. These, however, are palliatives rather than remedies, and all they achieve, as often as not, is to provide tax reliefs which are already given by foreign systems to the companies' competitors.

There are, in fact, only two practical ways of countering the centrifugal effects of United Kingdom taxation – by lowering the rates, or by levying fines and imprisonments. Since both income-tax and profits tax are to be *raised*, the coercive method has had to be substituted for the persuasive. There will no doubt be keen argument not only whether clause 32 will achieve its immediate object but how serious its implications for the future may be. As *The Times* said on April 27th –

> 'It seems at first sight an exceedingly dangerous clause, embodying an attempt to enforce by statute an economic insularity which has no foundation in fact. It may keep the legal control of overseas enterprises technically in this country if it is here already, but it will be yet another deterrent to scare new enterprises away.'

Clause 32 starts by making four classes of transactions by a body corporate which is resident in the United Kingdom *unlawful* if they might result, directly or indirectly, in the avoidance of liability to income-tax or profits tax. These are (i) for the body corporate to cease being resident in the United Kingdom; (ii) for the whole or any part of its trade or business to be transferred to a non-resident person; (iii) for it to cause or permit a foreign subsidiary to create or issue any shares or debentures; and (iv) for it to cause or permit the transfer of any shares or debentures in a foreign subsidiary (other than those in which it has no interest) to any person except to qualify him to act as a director. Class (iii) does not apply to security given to the bank in the ordinary course of business.

In all these cases, the Treasury may authorize the transaction *before* it is carried out. [It is not apparent why no power of ratification is given; this calls for amendment.] This provision for Treasury consent is very necessary in view of the attitude of many foreign countries to companies controlled outside their borders.

Penalties

Any person who, whether in the United Kingdom or not, does or is party to any act which to his knowledge results in, or forms part of, a series of acts which together will result in something unlawful under the clause, is liable to two years' imprisonment or a fine of £10,000 or both, or in the case of a body corporate to a fine of three times the total income-tax and profits tax liability for the last three years or chargeable accounting periods. A person who is 'party' to such an act may well include an accountant or other professional adviser. In the case of a director of the body corporate there will be a presumption of guilt rather than of innocence since it will be presumed (*a*) that he was a party to every act of the body corporate unless he proves affirmatively that it was done without his consent or connivance, and (*b*) that he knew every such act was unlawful if it was unlawful in fact - unless he proves the contrary.

Other Avoidance Provisions

Clause 33 deals with sales on or after April 10th, 1951, between associated persons, i.e. cases where the seller controls the purchaser, or vice versa, or where both are controlled by some other person. Any such transactions are to be adjusted to market price, where necessary, for income-tax and profits tax purposes, unless the other party to the transaction is resident and carrying on a trade in the United Kingdom and for the purposes of his tax affairs the price paid is an allowable deduction or a trading receipt as the case may be. It will be seen that this clause is partially ancillary to clause 32.

Clause 34 extends the period for bringing proceedings for fraud in connexion with excess profits tax and profits tax to three years from final determination of the amount of tax chargeable; it is not, however, to apply where the penalty was incurred more than six years before the Act is passed.

Inspectors of Taxes are to be given power under clause 23 to require any trader and, particularly, banker, who receives or retains money on which interest is paid or credited gross, to deliver a list of the names and addresses of all persons entitled to more than £15 interest in the year concerned. This is also to apply to the Post Office Savings Bank.

Lastly, the principles contained in Section 35 of the Finance Act, 1941, and Section 33 of the Finance Act, 1944, which dealt with transactions, the main or one of the main purposes of which was to avoid or reduce liability to excess profits tax, are applied in almost exactly the same terms to profits tax by clause 28.

NORTH AMERICAN COMMENTARY–XXIV

Current Accounting Opinions in the United States and Canada

by **KENNETH F. BYRD, M.A., B.Sc.(Econ.), A.C.A., C.A.(S.A.),**
Professor of Accounting, McGill University, Montreal

(*Illustrations by Eric Byrd*)

Journal of Accountancy, New York, December 1950

Military Preparedness

MILITARY considerations are being much discussed among American accountants. The editorial raises the question of encouraging productively desirable investment by deferring taxation of reinvested corporate earnings, at least for excess profits purposes. The difficulty of replacing worn-out plants in inflation conditions is emphasized. It is suggested that the emergency period should be treated as a whole, with carry-back and carry-forward of net losses, both in the renegotiation of war contracts and for excess profits tax. Accountants are urged to assume personal responsibility for contributing to the solution of these problems. To relieve the manpower situation, colleges are asked to consider accelerating their accounting courses.

'accelerating their accounting courses'

Contracts for Defence

Mr H. W. Bordner, C.P.A., Assistant Comptroller, Department of Defence, reviews problems familiar in the last war – cost-plus contracts in all their variety. Renegotiation on an over-all basis is said to be overwhelmingly preferred to re-determination clauses in individual contracts.

Training the Accounting Staff

It is refreshing to find Mr Alan Grant Mann, C.P.A., stating that the trained theorist rather than the man with the practical experience will, in the long run, prove the best staff man. He advises an organized course of study, such as classes once a week for an hour before starting work, with entirely informal discussion and argument. The importance of machine accounting is stressed. As is typical in North America, standardization of working papers is favoured, in the interests of speed and accuracy with lower costs. Mr Mann would like also to see a standard procedure for the order of events in auditing.

Business Combinations

The Committee on Accounting Procedure of the American Institute of Accountants chooses this subject for its fortieth bulletin. Recommended accounting treatment depends on whether or not former ownership continues. If it does, then it is stated that retained incomes may be carried forward in the books of the new company. If the aggregate of stated capital after a pooling of interests, as distinct from purchase with new ownership, is greater than before, the excess should be deducted first from the aggregate of other contributed capital (capital surplus or reserve), next from the aggregate of retained income; if it is less, the difference should appear in the balance sheet of the surviving company as other contributed capital (capital surplus).

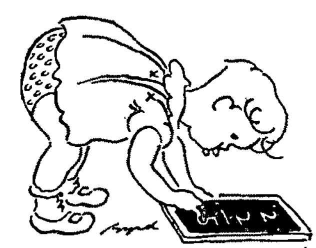
Accounting for Inflation

Mr Edward B. Wilcox, C.P.A., and Mr Howard C. Greer, C.P.A., outline the case against price level adjustments in income determination, on behalf of some members of the American Institute's Study Group on Business Income. Refusing to agree that the accountant's concept of income is unreal, they say that income is an artificial concept in regard to which the terms 'real' and 'realistic' are inappropriate, emotionally-charged words. On the ground that plant additions are usually made when there is need for increased capacity, in times of heavy demand when prices are high, they claim that depreciation on historical costs will exceed that on fluctuating replacement costs throughout the economic cycle, unless counteracted by the net inflationary trend, which they consider a doubtful possibility. They state that economic income depends on impossible appraisals. Warning against statistical averages, they fear lest accountants may be expected to become expert statisticians. Mr George O. May, consultant to the Study Group, adds brief comments, generally in disagreement.

Canadian Chartered Accountant,
Toronto, December 1950

The Small Practitioner

Mr J. H. Stewart, C.P.A., Past-President of the American Institute of Accountants, tells of the Institute's concern to assist the small practitioner in the interests of the profession. He points the need by stating that half the 40,000 C.P.A.'s in the United States have qualified in the last ten years, a great many of them immediately starting practice in the smaller towns, knowing virtually nothing of the practice of public accounting. Mr Stewart refers to the Institute's public broadcast at tax time, aimed at bringing out the C.P.A.'s usefulness in preparation of income-tax returns. Some State societies are said to have considered this juvenile, but it has been hailed with enthusiasm in the smaller communities.



'The small practitioner'

Small Business and Tax Problems

Among the fundamental problems of Canadian small business, Professor J. R. Petrie, University of New Brunswick, gives prominence to the finding of equity capital, especially in today's conditions of inflation. As a result of taxation of paper inventory profits, financial requirements far exceed profits after taxes. Recent tax legislation is aimed at relieving this situation. Thus a ten per cent dividend-received credit against income-tax was introduced some time ago, together with rate-graduation for incorporated companies. Tax on the first \$10,000 of profits for these companies is now at 15 per cent, after which the uniform rate is 38 per cent. But the most important tax innovation is the recent provision by which a private company may elect to pay a 15 per cent special tax on undistributed income held at the end of the 1949 tax year, and then capitalize the remainder. It is thus now possible for owners of small businesses to get undistributed profits out free of personal tax, after the company has paid 15 per cent.

WEEKLY NOTES

The Institute's Annual Meeting

The seventieth annual meeting of The Institute of Chartered Accountants in England and Wales was held last Wednesday, as this issue was going to press. We hope to publish the President's address, together with a report of the proceedings at the meeting, in our next issue.

The sixty-fifth annual general meeting of The Chartered Accountants' Benevolent Association was held immediately after the Institute's meeting. Here again, we hope to publish the President's address and a report of the proceedings in next week's issue.

Festival of Britain

With the ceremony performed by His Majesty the King at St Paul's on Thursday the Festival of Britain officially commenced. Centred on the South Bank, but spreading throughout the country in town and hamlet, the summer festivities will gather momentum, though being British, the proceedings will no doubt be a trifle well-ordered and faintly self-conscious.

Like all ambitious exhibitions, the last-minute preparations have offered plenty of scope for the alleged native genius of improvisation. On this occasion, the opportunities have been reinforced by scarce materials, wretched weather and a vivid display on the part of the trade unions of the rights of the craftsman and the labourer. In more ways than one, the exhibition on the South Bank started months ago when the first bulldozer arrived on the scene.

Much will be said and written about the hundred years of progress since the last exhibition of 1851. In many ways it was not unlike this one. Its organizers encountered heartbreaks and delays, frustrations and criticism. But the mood of the nation and the world was different. Unending progress and the thousand years' of peace seemed wellnigh assured. Industrial invention was its own justification. Our attitude today is conditioned by experience in these matters – some of it bitter. The festive mood may therefore be less buoyantly optimistic, less adolescent than in the days of the Prince Consort. But to those who see the exhibits of the past and the present now on display, it should be plain that the recent years have been a time of achievement as well as of trial.

Revaluation of Assets

The board of directors of Imperial Chemical Industries Ltd, have announced in their preliminary statement of the trading results for 1950, that the manufacturing assets of the company and its wholly-owned manufacturing subsidiaries at home have been revalued on the basis of replacement at construction costs current on January 1st, 1950, reduced by reference to the age of the assets and their remaining useful lives. The effect in figures of this considerable task is that a surplus of £96,120,273 has been evolved and has been transferred to capital reserve. Part of this replaces the central obsolescence and depreciation provisions amounting in all to £58,227,768, freed by the revaluation, and the balance of £37,892,505 a new revaluation of physical assets reserve which has been created. The depreciation charge for 1950 is sufficient to write off the new book values of the assets over the span of their remaining lives, and amounts to £8,694,823. The charge for 1949 was £6,660,622, but it is pointed out that the two figures are not strictly comparable.

This major adjustment was foreshadowed by Lord McGowan at the last annual meeting when he stated that the directors had been engaged for some time in calculating the replacement costs of the group's manufacturing assets with the object of determining the adequate yearly charge for depreciation and obsolescence under present-day conditions. The reaction of other companies to this marked innovation will be watched with much interest and, in some quarters, not a little apprehension. We hope to refer to it again in more detail when the full I.C.I. accounts are available in a few weeks' time.

Historic Houses

In our issue of July 8th, 1950, under the heading 'Not So Many Mansions', we discussed the report of the Gowers Committee on Houses of Outstanding Historic or Architectural Interest.[1] This matter has now been carried a stage further by a statement made in the House of Lords on April 26th, 1951, by Lord Pakenham. The Government accepts the desirability of preserving such houses from destruction and decay and recognizes its own responsibility in this connexion. It proposes to give to the Minister of Works power to carry out preservation work or to make loans and even grants to an owner for that purpose. The owner on his part will be required to give undertakings to maintain the house properly and to open it to the public for prescribed periods. The Minister will collaborate with the National Trust and with local authorities. He will also take over from the Minister of Local Government and Planning the powers given by the Town and Country Planning Act, 1947, for preventing destruction of buildings which are of special interest. The Government rejects the proposal for the setting up of historic buildings councils with powers of designating houses and listing their contents. Instead it proposes to set up purely advisory bodies to assist the Minister of Works. As might be expected, large sums of money will not be spent by the Minister of Works at present, but the machinery will be brought into being and useful experience gained, so that as soon as the economic situation improves more ambitious projects can be undertaken.

The Government prefers the method of direct

[1] H.M.S.O. 3s.

grant to a system of special tax reliefs. It regards such reliefs as a subsidy to a special class of persons over which Parliament would have no direct control. It also considers such reliefs as running counter to a general principle of taxation that a man's liability should not be measured by his particular choice of commitments. If this principle does exist, some breaches have been made in it, notably by life insurance and maintenance reliefs and by seven-year covenants. Certainly there is a strong case for easing the present restrictions on the kinds of expenditure on maintenance, and not merely for historic buildings.

Some further relief from estate duty is to be given in the coming Finance Act. The exemption of land and funds for its maintenance when given to the National Trust is to be extended to similar gifts to a Government department, a local authority, or a university. The exemption will also be extended to cover chattels in buildings on the land. This meets the point made that historic houses are more interesting when containing their original furniture and heirlooms associated with them. Legislation is to be introduced to enable such chattels to be purchased by the National Land Fund.

Altogether, the Government has gone much further than most people dared to hope. Much will depend however on the manner and extent of the Minister of Works' exercise of his powers.

Colonial Development Corporation Report

During the year ended December last it appears that the Colonial Development Corporation lost some £1¼ million. This figure is given in the annual report which was published at the beginning of this week. The report is a refreshingly frank document. Miscalculations on development schemes are freely admitted and the causes variously set down as due to rising prices falsifying estimates, lack of knowledge of local conditions, lack of experience of managerial staff and delayed deliveries.

Much publicity has already been given to the difficulties under which the Corporation has laboured and to the mistakes which have been made. On the score of criticism, only one point need be made and it is this. The handling of the Gambian poultry scheme has perhaps done more damage to the case for colonial development than has the groundnuts scheme although the sums involved are much smaller.

Lord Reith, the new chairman, has indicated in the report that the Corporation will proceed more by pilot schemes than it did in the past. He also makes the important point that the resources of the Corporation are small compared with the vast problem of colonial development. It should be remembered that the task is to raise the standard of living of over 50 million people scattered over a wide geographical area.

The Colonial Development Corporation has fallen into the same pitfalls as some of its predecessors. There is far too often a predisposition to try to get results too quickly, to spend far too little time in finding the right compromise between the views of the expert from outside the colonies who thinks he can quickly find the answers, and those of the local administrator who has his own preconceived notions. There are far too many facile assumptions about the efficiency of colonial labour and about the fertility of tropical soil. If 1950 has taught the Colonial Development Corporation some of the virtues of the tortoise, the British taxpayers' money will not have been spent in vain.

Sulphur Allocation

The allocation of sulphur announced by the Government two weeks ago has now come into force. In the event, the supplies available have made it possible to pitch the allocation at the more optimistic level of 100,000 tons for the second quarter of the year. This means that although there will be severe cuts to industry, they will not be of a crippling nature and essential uses should be adequately covered.

These arrangements follow the announcement that the United States has allocated to this country 95,000 tons for the current quarter.

Schuman Plan Agreement

The Schuman Plan has at last been signed by the representatives of six western European Powers. Such a step is in itself important and its significance and hope for future collaboration should not be lost sight of among all the 'ifs' and 'buts' which surround its birth. True, not all the motives behind its ratification are concerned with making Europe's coal and steel supplies into an integrated whole. True, too, the pact will have no easy passage through the legislatures which now must ratify it. But the pact has been signed and that in itself is much more than the cynics were prepared to concede would ever happen when the idea was first mooted.

The last-minute discussions concerned the composition of the high authority. The original plan of France and Germany to limit the number of representatives on it to five, thus preventing members of the high authority following clear-cut national lines was not palatable to the smaller participants in the scheme who saw themselves being completely outvoted by the Big Two. In the end, the high authority is to be composed of nine representatives. These may not necessarily be national representatives. They must be nominees of the individual governments and unanimously elected by the Council of Ministers. Under this procedure it would seem likely that they will in fact be the nationals of the countries sponsoring their election.

The fact that the Plan has been approved raises a number of interesting questions, many of them long-term in their implications. Will it be ratified in its present form? Will it work? What will be the British attitude towards it and its attitude to the British coal and steel industries? Will it become the type for other experiments in economic co-operation in European industry?

REVIEWS

Manual on the Law of Meetings (Second Revised Edition)
by Sebag Shaw, LL.B., Barrister-at-Law, and Denis Townsend, B.A., Barrister-at-Law

(Macdonald & Evans, London. 15*s* net)

The first edition of this book was published in August 1947, shortly before far-reaching changes in company law were made. These changes have now been incorporated in the book which gives a sound exposition of the law of meetings, not only in relation to limited companies; but also in relation to local authorities, bankruptcy and statutory companies. All the relevant case law is cited. The abolition of the penny stamp duty on proxy forms has not been noticed, and there is no mention of Sections 190–193 of the Companies Act, 1948.

Tolley's Income Tax Chart-Manual, 1950–51 (Thirty-fifth Year) (including Eire Supplement)

(10*s* 6*d* net)

Excess Profits Tax Synopsis (Twelfth Edition)

(3*s* net)

Profits Tax Synopsis (Fourteenth Edition)

(3*s* 6*d* net)

Summary of Income Taxes in the Channel Islands and Isle of Man

(4*s* 6*d* net)

by Kenneth Mines, F.A.I.A., F.T.I.I., and L. E. Feaver, A.S.A.A., F.C.I.S.

(Chas. H. Tolley & Co, London)

With the exception of the publication on Channel Islands' and Isle of Man income-tax, which is new, these charts are all well known. Changes in the law up to July 1950 have been incorporated. The new chart will supply a long-felt need, for information as to the taxation systems of these territories is not easily available.

Tolley's Synopsis of Estate Duty
Edited by Kenneth Mines, F.A.I.A., F.T.I.I., and L. E. Feaver, A.S.A.A., F.C.I.S.

(Chas. H. Tolley & Co, London. 4*s* 6*d* net)

This synopsis covers only thirty-four pages, but they are indigestible ones, for they cover a branch of law which is possibly the most complex and baffling that the Legislature has produced. What should and what should not be left out in a book of this kind is a matter of opinion. For an examination candidate who has already studied the subject, the synopsis will be a useful aid to revision in odd moments. For anyone not familiar with the subject, many of the remarks in it may only bewilder.

The Group Accounts of Holding Companies
by Frank H. Jones, F.A.C.C.A., A.C.I.S.

(Barkeley Book Co Ltd, Stanmore, Middx. 3*s* net)

The author says that this thirty-eight-page monograph should be regarded as a supplement to, and not as a substitute for, text-books. It would certainly be helpful to read his observations before embarking on a more thorough study of this difficult subject. They take the reader quickly through the historical reasons for the new provisions and the contentious points which have arisen since they came into force. An appendix gives some actual examples of consolidated accounts.

The Law and Practice of Income Tax
by Sir Jamshedji B. Kanga, Kt., M.A., LL.B., and N. A. Palkhivala, M.A., LL.B.

(Tripathi Ltd, Bombay. Rs35 net)

This large volume deals exhaustively, as far as we can judge, with the law and practice of Indian income-tax. The full text of the Indian Income Tax Act, 1922, as amended, is given and is followed by 744 pages of exposition, section by section. The text of the Indian Income Tax Rules, 1922, is also given, together with the text of other relevant statutes and statutory rules, including the Business Profits Tax Act, 1947, and the Business Profits Tax Rules, 1947. Over 2,000 cases are cited and a very full index is given.

Economic Conditions and Banking Problems

(Swedish Banks Association. Sw.Cr. 15)

This volume of nearly 300 pages covers the 16 lectures delivered before the third international banking summer school held in Saltsjöbaden, Sweden, in September 1950. The summer school was the third of the series begun by the Institute of Bankers in 1948.

The standing of the lecturers is sufficient testimony to the quality of this book, which is strongly recommended to all those who are interested in the problems of banking and finance in Europe and America.

Management of the Smaller Office

(British Institute of Manangement: Office Management Association, London. 6*s* 3*d* net)

A study of this booklet will do much to dispel the mistaken notion that the office contributes little or nothing to the efficiency of an industrial unit. It describes the planning of staff, and accommodation and procedure, outlines the various services and routines, and considers the various aids to clerical work in the shape of intelligently designed forms and mechanical appliances. It should be read, even if only as a refresher course, by every manager supervising a staff of from twenty to seventy who wants his department to function, as indeed it should, with the smooth precision of a factory machine.

The British Journal Photographic Almanac, 1951
(Ninety-second Year)

(Henry Greenwood & Co Ltd, London. 5*s* net (Linson board covers); 7*s* 6*d* net (cloth bound).)

This old friend is now in its ninety-second year of publication. As usual, it fully merits the adjective 'comprehensive' and deserves the praise which it is our pleasure each year to offer. Edited by Mr Arthur J. Dalladay, A.INST.P., it contains 580 pages with a 32-page pictorial photogravure supplement. There are six articles, an 'Epitome of Progress', a glossary of photographic and chemical terms – in short, it can be said that here are the answers to practically all the questions that can face those interested in photography.

Law of Banking
(Third Edition)
by Lord Chorley, M.A.

(Sir Isaac Pitman & Sons Ltd, London. 18*s* net)

The third edition of Lord Chorley's excellent text-book on the law of banking brings it up to date, both as regards new case law and new legislation – in fact, as the author says, more important provisions of certain statutes which are not entirely new have been dealt with – these were previously omitted because it was expected that they would be transient; the fact that they are still with us, necessitates their present inclusion.

There is little that one can say about this book which has not already been said many times. For the early student of the law of banking, there is no better work. Lord Chorley has definite views both on the cases with which he deals and on the views of other text writers, and he expresses himself with forcefulness and clarity which is unusually stimulating.

Jordan's Company Law and Practice
(Nineteenth Edition)
by L. J. Morris Smith, Barrister-at-Law, and Stanley Borrie, Solicitor

(Jordan & Sons Ltd, London. 30*s* net)

The reputation of a book whose name is a byword in company law will be enhanced by this nineteenth edition. Careful make-up and clear presentation have enabled the authors and publishers to combine reasonable comprehensiveness with handy size. The text proper is simply worded but contains an unusually large amount of useful practical information. It covers 240 pages and is grouped under 137 headings in alphabetical order with ample cross references. Nearly 200 cases are cited and there is a most useful table showing at a glance what forms have to be filed. In addition to the text, there are copies of the Act and the Winding-up Rules and also tables showing where the sections of the 1929 and 1947 Acts reappear in the 1948 Act. Finally, there is a 23-page index – remarkably good value for thirty shillings.

And So It Goes On
by Roy Harrod, Lecturer in Economics, Christ Church, Oxford

(Rupert Hart-Davis Ltd, London. 6*s* net)

If we find ourselves in the dreaded abyss, we cannot say that Mr Harrod did not warn us, for these twelve essays, selected from his writings during the past three years, clearly reflect his discontent with the way our economic affairs are being handled. As in his previous book, *Are these Hardships Necessary?* Mr Harrod stresses, among other things, the necessity for restricting capital expenditure when our balance of foreign trade is unfavourable so that as much as possible of the material resources at our disposal may be available for export.

A Simple Explanation of the Legal Aid Scheme
by Derek H. Hene, M.A.(Cantab.)

(*Daily Express* Legal Guides No. 1. *Daily Express*, London. 2*s* net)

Although the Legal Aid and Advice Act of 1949 has passed into law, only certain sections of it came into force on October 2nd, 1950. The remainder will be made operative as and when the financial position of the country permits. The object of the Act is to make legal aid and advice more readily available for persons of small or moderate means. This excellent little publication, the first of a proposed series, explains simply who is eligible to receive such assistance, how and to whom applications should be made, and what information should be stated in the case for submission.

How to Write Technical Books
by John Gloag

(George Allen & Unwin Ltd, London. 12*s* 6*d* net)

This small book is a collection of heterogeneous information likely to be of interest and use to budding authors in general and to authors of technical books in particular. The author of it writes from considerable practical experience and has been at pains to make the book readable and entertaining. There are many illustrations, the relevance of some of which is not immediately apparent.

Standards Planning Écarts
by G. Commesnil

(Edition 'le Commerce', Paris. 2,000 frs. net)

In the day-to-day exchange of Anglo-American ideas on modern developments in accountancy, it is easy to forget that accounting thought goes on in other languages as well as English.

M. Commesnil has written a book for the French-speaking world on 'standards, planning and variances' which is as complete as any written on the same subject on either side of the Atlantic.

Employing the well-known French gift for clear, logical thought, M. Commesnil analyses and explains the whole field of standard costing, production control, and variance analysis, with a clarity of expression and example which is refreshing.

FINANCE AND COMMERCE

Stock markets have lost some of their sting. Ministerial emphasis on raw material shortages has decided investors to adopt a more cautious policy despite the obvious political manoeuvring behind most Government statements. Stock markets, in fact, have become dominated once again by political influences.

A.C.V. Accounts

This week's reprint gives the accounts of Associated Commercial Vehicles Ltd, makers of passenger and commercial road transport vehicles, rail-cars, marine oil engines, etc. Four of the latest type of buses (for London Transport) toured the Continent as part of the Festival of Britain propaganda. The accounts make easy reading but there is one point in regard to income-tax which is set out in the notes to the accounts.

The note records that the wholly-owned subsidiary, to which the holding company's operating assets were transferred on October 1st, 1948, was treated as a new business from that date for income-tax purposes. The total amount now required to be set aside for tax to cover the subsidiary's estimated liabilities up to 1951–52 is £401,000, of which £86,000 is an additional provision to 1950–51, and £315,000, a reserve for future income-tax 1951–52. This reserve, with future tax reserves of the remaining companies in the group (£298,704), is sufficient to cover the total amount estimated to be assessable for 1951–52 (£613,704).

As the subsidiary referred to has now set up a reserve sufficient to cover one year's future income-tax, the amount of £433,712 carried forward in the holding company's accounts at September 30th, 1949, as a reserve for the future income-tax of the subsidiary is no longer required and has been transferred to general reserve. The balance of the £730,452 shown in the 1949 column has been taken as to £290,706 to provision for taxation and as to £6,034 to profit and loss account.

Labour Relations

A printed copy of the speech at the annual meeting by Mr C. W. Reeve, the chairman of A.C.V., is provided, in company with pictures of the company's works and products. Mr Reeve refers to an unofficial strike, the point of which implied that a shop steward, especially if he be a secretary or convener, should not be discharged where redundancy occurs. The contention could not be conceded, 'otherwise it would be tantamount to making the shop stewards, as a class, permanent employees not subject to discharge'. The strike lasted about six weeks and with a loss of over £50,000 in wages of strikers and men idle.

Mr Reeve, on this subject of labour relations, emphasizes the difference in outlook here as compared with America. In the U.S.A. the worker is keen to improve his position and sees promotion and higher earnings in front of him all the time. If new machines and methods increase output, so much the better.

In this country, he says, 'while we are getting a certain amount of lip-service from trade union leaders on the introduction of labour-saving devices and improved methods, in practice a good deal of difficulty is encountered in getting employees to use the labour-saving machines when they are introduced'.

Essential Facts

Mr B. M. Lindsay Fynn, F.C.A., chairman of Gossard Ltd, the corset makers, ends his speech with the 1950 accounts as follows: 'Members may be interested to see below a tabular statement of our results for the last few years so that they can satisfy themselves as to the trend of our trading and the conservativeness of our dividend policy.' We reprint the table below.

Here is the position boiled down to its very essence. The business is going strong. It earned 67 per cent on the ordinary capital and paid 18 per cent in dividend. And that to the man who has put his capital in the company's shares is the ultimate measure of the worth of his investment. It is the most powerful factor which influences the market price of his shares. We should like to see earnings and dividend per cent set out in this or similar form in company accounts.

Money Market

Applications for Treasury bills on April 27th totalled £359,015,000 and the market received 48 per cent of its requirements. The average rate was 10*s* 2·44*d* per cent. This week's offer is £240,000,000 and there is no Treasury deposit receipt call.

	1947 £	*1947* £	*1948* £	*1948* £	*1949* £	*1949* £	*1950*	*1950* £
Issued Ordinary Capital		*150,000*		*156,250*		*156,250*		*156,250*
Trading Profit (excluding Minority Interest)		66,235		92,059		97,502		179,089
Less:								
Depreciation	10,305		23,294		25,012		29,101	
Unsecured Note Interest	—		—		6,797		6,698	
Taxation	25,579	35,884	33,747	57,041	39,658	71,467	79,793	115,592
Net Profit available for Dividends		30,351		35,018		26,035		63,497
Less:								
Preference Dividend and Redemption		5,355		5,989		5,950		5,862
		£24,996		£29,029		£20,085		£57,635
Percentage earned on Ordinary Shares		30·30		33·78		23·37		67·06
Percentage paid on Ordinary Shares		18		18		18		18

ASSOCIATED COMMERCIAL VEHICLES LIMITED Consolidated Balance Sheet, September 30th, 1950

1949 £	1949 £		£	£	£
		RESERVES AND UNDIVIDED PROFITS			
		Revenue Reserves			
		General			
		Balance at October 1st, 1949	1,300,285		
		Add Reserve for Future Income Tax no longer required (Note 1)	433,712		
	1,300,285	Appropriation from Profit and Loss Account	273,534	2,007,531	
	100,000	Employees' Benefit		100,000	
2,078,955	678,670	Undivided Profits per Profit and Loss Account		834,084	2,941,615
		Capital Reserves			
	1,875,914	Share Premium Account, being Premium on Shares allotted as fully paid up in consideration for Shares acquired in Subsidiaries, *less* Share and Loan Issue Expenses		1,875,914	
2,235,886	359,972	Excess Profits Tax Post-War Refund.. ..		359,972	2,235,886
4,314,841		**Total of Reserves and Undivided Profits**			5,177,501
		Deduct **Goodwill** attributable to Group (including net excess of cost of Shares in Subsidiaries over the appropriate proportion of book values of net tangible assets at dates of acquisition of the Shares) at cost, *less* amounts written off			
		Balance at October 1st, 1949		1,000,981	
		Less Amount written off per Profit and Loss Account	44,721		
		Adjustment of pre-acquisition profits of Subsidiaries	1,118	45,839	955,142
1,000,981					
3,313,860					4,222,359
730,452		**Reserve for Future Income Tax 1951–52** (Note 1)			613,704
	Authorized	**SHARE CAPITAL**	*Authorized*	*Issued*	
	2,087,500	2,087,500 Units of Ordinary Stock of £1 each ..	2,087,500	2,087,500	
	212,500	212,500 Ordinary Shares of £1 each	212,500	—	
2,087,500	£2,300,000		£2,300,000		2,087,500
£6,131,812		**Total of Reserves, Undivided Profits and Capital attributable to Members of Associated Commercial Vehicles Ltd (after deducting Goodwill)**			£6,923,563

The Notes on Page 7 form an integral part of this Balance Sheet.

1949 £	1949 Depreciation £	1949 Cost or Valuation £		Cost or Valuation £	Depreciation (Note 2) £	£
			FIXED ASSETS			
1,092,094	247,296	1,339,390	Freehold Land and Buildings (Note 3)	1,325,948	256,417	1,069,531
23,683	6,501	30,184	Leasehold Land and Buildings ..	32,166	7,109	25,057
675,382	1,560,994	2,236,376	Plant and Machinery, Fixtures and Fittings, etc.	2,346,492	1,701,702	644,790
20,615	47,982	68,597	Motor Cars and Other Vehicles ..	69,749	53,199	16,550
1,811,774	£1,862,773	£3,674,547		£3,774,355	£2,018,427	1,755,928
38,525			Trade Investments at Cost ..			6,628
1,850,299			**Total Fixed Assets**			1,762,556
			CURRENT ASSETS			
	5,705,532		Stock of Stores, Finished and Unfinished Work (including Expenditure on and Tools for new designs) certified by the Management to be at or below cost ..		4,497,016	
	2,401,430		Debtors, Bills Receivable and Payments in Advance (Note 4) ..		2,124,068	
	10,000		Quoted Investments at market value		—	
	—		Tax Reserve Certificates		700,000	
	—		Short-Term Loans		750,000	
	916,187		Balances at Bank and Cash in Hand		1,079,293	
	9,033,149				9,150,377	
			Deduct **CURRENT LIABILITIES AND PROVISIONS**			
		1,084,730	Trade and Other Creditors and Accrued Charges	1,035,750		
		3,216	Unclaimed Dividends	1,522		
		156,562	Proposed Final Dividend of Associated Commercial Vehicles Ltd, *less* tax	156,562		
			Provisions			
		1,284,458	Taxation, including 1950–51 assessment (Note 1) £569,907			
		39,750	Deferred Repairs .. 33,386			
		24,000	Miscellaneous 36,000	639,293		
	2,592,716				1,833,127	
6,440,433			**Excess of Current Assets over Liabilities and Provisions..**			7,317,250
8,290,732						9,079,806
	657,502		*Deduct* **Interest of Minority Shareholders in Capital of Subsidiaries** (Note 5)		657,502	
658,920	1,418 (Profit)		*Less* Loss applicable to Minority Shareholders in a Subsidiary, after deducting Reserve ..		1,259	656,243
7,631,812						8,423,563
1,500,000			*Deduct* **3½ per cent Unsecured Loan Stock 1953-58** ..			1,500,000
£6,131,812			**Net Assets (excluding Goodwill attributable to Group)**			£6,923,563

ASSOCIATED COMMERCIAL VEHICLES LIMITED

Consolidated Profit and Loss Account for the year ended September 30th, 1950

1949 (See Note below) £	£		£	£	£
2,000,976		**Surplus on Trading,** before charging Depreciation and Directors' Emoluments			1,794,840
	293	*Add* Transfer Fees		305	
	17,252	General Interest		19,049	
	200	Income from Quoted Investments		625	
	1,013	Income from Trade Investments		1,610	
18,758					21,589
2,019,734					1,816,429
	198,696	*Less* Depreciation		192,652	
		Directors' Emoluments:			
	7,561	In respect of services as Directors	8,200		
	24,148	Other Emoluments	32,943	41,143	
	36,562	Interest payable on Unsecured Loan Stock	48,750		
	19,416	Other Interest Payable (including Bank Interest)	798	49,548	
	21,400	Amount set aside to Provisions		32,000	
307,783					315,343
1,711,951					1,501,086
74,673 (Dr.)		*Add* Items of a non-recurring nature			16,621
1,637,278		**Profit for the Year before charging Taxation**			1,517,707
		Deduct Taxation based on profits of the year:			
	242,000	Profits Tax		255,000	
	642,922	Income-tax, including £613,704 (*1949, £199,240*) set aside to Reserve for Future Income Tax 1951–52, *less* Tax recovered from interest paid etc.		581,456	
884,922					836,456
752,356		**Profit for the Year after charging Taxation**			681,251
		Add Profit on Sale of:			
—		Freehold Land and Buildings	136,044		
—		Investment in a Subsidiary Company	11,111		
—		Trade and Quoted Investments	2,051		149,206
					830,457
12,716		*Less* Proportion of Profits (after charging Taxation) attributable to Minority Shareholders			15,885
£739,640		**Net Profit attributable to Group**			£814,572

Total £	*Subsidiaries* £	*A.C.V. Ltd* £		DEALT WITH IN ACCOUNTS OF:		*A.C.V. Ltd* £	*Subsidiaries* £	*Total* £
418,306	—	418,306		Profit for the Year, including Dividends from Subsidiaries		571,964	—	571,964
321,334	321,334	—		Profit retained in the Accounts of Subsidiaries		—	242,608	242,608
739,640	321,334	418,306				571,964	242,608	814,572
—	—	—		*Add* Reserve for Future Income Tax made in previous year no longer required		—	6,034	6,034
739,640	321,334	418,306				571,964	248,642	820,606
248,000	248,000	—		*Deduct* Additional Provision for Income Tax in respect of one Subsidiary which commenced trading on October 1st, 1948 (See Note 1 on page 7)		—	86,000	86,000
491,640	73,334	418,306				571,964	162,642	734,606
			—	*Less* Amounts written off Goodwill attributable to Group (*a*)	£44,721			
			—	Amount set aside to General Reserve of Associated Commercial Vehicles Ltd	273,534			
			£97,500	*Reserve for Future Income Tax on the Pre-acquisition Profits of two Companies acquired during the year*	—			
				Dividends paid or proposed (after tax) on each £ unit of Associated Commercial Vehicles Stock:				
			104,375	Interim of 1*s* paid	104,375			
			156,562	Final of 1*s* 6*d* proposed	156,562			
358,437	—	358,437				534,471	(*a*)44,721	579,192
133,203	73,334	59,869				37,493	117,921	155,414
545,467	100,769	444,698		Brought forward from last year		504,567	174,103	678,670
£678,670	£174,103	£504,567		**Undivided Profits carried forward**		£542,060	£292,024	£834,084

NOTE.—The Profit and Loss Account for the year ended September 30th, 1949, included the profits of two Subsidiaries from the date of their acquisition only, viz. April 20th, 1949.

CURRENT LAW

Money Paid by Mistake

The agent of a timber company had authority to buy timber, which was paid for by a cheque on the company's account. He became heavily indebted to a bookmaker and met his indebtedness by cheques on his employers' account, drawn by the company in the belief that they were in payment for timber. The frauds were subsequently discovered and the company entered into an agreement with him by which he undertook to hand over all his assets, to be sold to meet his liability to them.

At the same time the employers brought an action against the bookmaker claiming the repayment of the sum of £16,000 odd as money paid under mistake of fact. The bookmaker contended that he had received the money honestly in the belief that it was due to the employee by his employers, that the employee was his employer's agent and, consequently, that they were estopped from denying that he had their authority to make the payments.

Devlin, J., held that the employers were entitled to recover. He found that the employee had never purported to represent himself in relation to the bookmaker as his employer's agent, and that the bookmaker could never have thought that he was doing so. There was no breach of duty by the employers and, consequently, a plea of estoppel by negligence could not be made out. The bookmaker was not misled by the representation that the employee had authority to receive these cheques and to pay them over; he was in fact misled by the misrepresentation that the sums were due to the employee. The employers were consequently entitled to recover the money as paid under mistake of fact. (*Place v. Turner.*) (*Law Journal*, February 16th, 1951.)

Guarantee of a Contract

B. hired a car from the owners on terms that he should make an initial payment of £107 and eighteen further payments monthly, after which he was to have the option of purchasing the car for 10*s*. The agreement provided that if he should default, the owners could re-take possession of the car. The defendant, in *Chatterton v. Maclean* (*Law Journal*, March 2nd, 1951) guaranteed the due performance of the agreement.

Without informing the owners, the hirer B. purported to sell the car to a third party who resold to Chatterton, whereupon the owners demanded the return of the car, but accepted from the plaintiff instead the sum remaining unpaid on the hire-purchase agreement and assigned to him the hirer's debt, the benefit of the agreement and of the guarantee and any other rights the owners might have. The guarantor contended that the assignment was ineffective since, on the date of its execution, the company had lost its right under the agreement by treating it as repudiated.

Parker, J., refused to accept this argument. He found that as the hirer was still under liability, the guarantor was prima facie liable; that the latter was not released by the action of the owners in treating the breach as a repudiation; that the option to buy the car and the right to take possession as against the hirer could not accrue to the guarantor on his discharging his liability, and that the change in the position between the creditor and the principal debtor did not release the guarantor.

Devaluation of Pound

Cummings, an American, bought from the London Bullion Co Ltd a brooch, for which he paid 3,200 dollars, on the understanding that the sellers would buy it back at the same price within ninety days if required by Cummings to do so. He returned the brooch within a month and the sellers, in implemention of their undertaking, applied to the Treasury under the Exchange Control Act, 1947, for the necessary dollars. Before they got the authority the pound sterling was devalued. The question arose at what rate repayment should be made.

Slade, J., held that the effect of Section 33 (1) of the Act of 1947 was not to alter the contractual obligation of the contract, but merely to postpone its performance until Treasury consent had been obtained. The debt became due on the date when the brooch was returned to the suppliers; therefore the rate to be applied to the transaction was the rate as at that date, a date before the devaluation; and the plaintiff was entitled to recover only on that basis. (*Cummings v. London Bullion Co Ltd.*) (*Solicitors' Journal*, March 10th, 1951.)

Sale of Goods

In *The Accountant* dated August 26th, 1950, there was a brief note on the decision in *Monkland v. Jack Barclay Ltd* in which the plaintiff refused to sign a covenant not to sell a car within twelve months of delivery and sued for breach of contract and for loss of profit. Humphreys, J., found for the plaintiff, on the ground that there was no question of public policy and that at the time the car was ordered there was no question of a covenant.

The Court of Appeal have reversed that decision. They held that the defendants were not required to fulfil their contract with the plaintiff tainted with fraud against the manufacturers, nor were they required to violate their agreement with the Motor Trade Association. As the manufacturers refused to supply unless the defendant signed the covenant, the defendants had committed no breach. The Court further held that the contract was not void as against public policy, for though the Government had approved the scheme, this was merely relevant to the question of the political policy of a particular government, to be distinguished from public policy. (*Law Times*, March 22nd, 1951.)

Reduction of Company Capital

The House of Lords have reversed the decision of the Inner House of the Court of Session in *Re Westburn Sugar Refineries Ltd.* The company proposed to reduce the nominal value of its shares by transferring to its shareholders shares in another company. The petition was not opposed. The Inner House by a majority refused it on the ground that the capital was not shown to be in excess of the company's requirements; and that it would be against public policy. Lord Carmont thought that where a company applied for confirmation of a reduction of capital, the Court should be astute to see that its procedure was not used to cover up what seemed designed partly to eviscerate the company by parting with valuable assets – in this case the shares in the second company which were being transferred to the shareholders of the first. He referred to the possibility of the company's being nationalized and seemed to indicate that the company was endeavouring to remove some of its assets from possible requisitioning or transfer under a compensation scheme.

The House of Lords granted the petition.

The proposed operation involved a reduction of the company's paid-up share capital and the necessary resolutions had been passed. The company was competent to proceed in that way. Lord Normand pointed out that the Court had had the benefit of a careful and lucid report of an experienced reporter who was alive to the kind of objection which might be taken. Lord Radcliffe said that nationalization had no bearing on the matter. If the reduction was objectionable, it did not become less so because of the risk of the industry's nationalization; on the other hand, the threat of nationalization could not render improper what was otherwise unobjectionable. (*Law Times*, April 20th, 1951.)

Negligence of Bailee

In *Curtis v. Chemical Cleaning and Dyeing Co Ltd* (*Law Times*, March 9th, 1950) Curtis took a dress to be cleaned and was asked to sign a document relieving the company from all liability. She asked why this was necessary and was told that the company would not accept liability from damage to beads or sequins on dresses. She signed. When the dress was returned there was a stain on it which was not there when she left it. The defendants relied on their denial of liability to which the plaintiff had put her signature.

The Court of Appeal held that the plaintiff had been induced by innocent misrepresentation to sign, misrepresentation concerning the extent of the clause exempting them from liability. Accordingly, that clause never became part of the contract and the defendants were liable.

Deed: Consideration

A limited company was indebted to one of its employees and could not meet the debt. The employee and the company's managing director entered into an agreement under seal whereby the former assigned his debt to the latter in consideration of the sum of 10*s*. At the same date, the employee tendered his resignation and agreed to the determination of his service agreement. He claimed, however, from the defendant the sum of £1,215 which he alleged the defendant had agreed to pay him if he assigned the company's debt and treated his agreement as terminated.

The Court of Appeal held that he was entitled to recover. The fact that the sum of 10*s* was stated in the deed to be the consideration did not prevent the proof of a larger consideration and evidence to this effect was admissible. (*Turner v. Forwood and Another.*) (*Law Times*, March 30th, 1951.)

Company: Reduction of Capital

The Second Division of the Court of Session approved a proposal to reduce the capital of a company, in *Re Stevenson, Anderson & Co Ltd* (*Law Journal*, April 6th, 1951). The reduction was to be effected by repaying 10*s* on each fully-paid £1 share, but it was not proposed to reduce the nominal capital. In spite of the fact that doubts were expressed in *Re William Brown, Sons & Co* ([1931] S.C. 701) as to this method of reducing capital, the Court found that the method had been in force for a great many years and such a construction of the several Companies Acts over the past sixty years could not now be disturbed. (*Re Fore Street Warehouse Co Ltd* ((1888) 59 L.T. 214) and *Re Scottish Vulcanite Co* ((1890) 21 R. 752) followed.)

Company's Share Premium Account

Harman, J., in the Chancery Division, recently held that moneys paid to a company's share premium account, being the premium on shares allotted, were capital assets and not income. The trustees of certain settlements which included shares in the company were, therefore, precluded from distributing as income the moneys on the share premium account. The moneys were to be treated as capital assets. The Court held that Section 56 of the Companies Act of 1948 in effect created a new class of capital. (*Re Duff's Settlements Trusts, National Provincial Bank Ltd v. Gregson and Others* (*Law Times*, April 13th, 1951).)

Frustration of Contract

In 1946, one Scott contracted for the supply of a totalisator for a greyhound racing stadium at Kirkcaldy. He refused delivery on the ground that he had no premises on which to erect it and that it had not been possible for him to build premises because he could not get the necessary permit. The Outer House refused to accept his contention. Here, the Court said, there was no supervening impossibility. Supervening impossibility as the learned judge understood it, was the emergence of a new state of affairs, due to subsequent legislation or other supervening events, in which the performance of the contract had either become impossible or fundamentally different from what was originally intended. All that happened in this case was that the defender failed to get his licence; this was something which must have been in contemplation at the date of the contract. (*Union Totalisator Co Ltd v. Scott*) (*Law Journal*, March 16th, 1951.)

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The Dress of the Profession

SIR, – The supplement presented with your April 28th issue is interesting and appreciated.

This photograph reveals a uniformity of dress that is remarkable: no member of the Council wears a wing collar, there is but one bow tie in forty-four and, so far as can be seen, one pair of the spats which the humorist used to associate with our profession. (Where are the morning coats, the white vest-slips, the tie-pins of yester-year?)

The unsmiling faces show that in spite of the nature of our work no more than the average wear glasses habitually, nor does a lifetime of auditing appear to have made aids to hearing necessary.

Yours faithfully,
TEMPLE BAR

Decimal System of Analysis

SIR, – In reply to the published letter from Mr G. O. B. Johnson, of Stockport, in your issue dated March 31st, 1951, the following may assist:

			Per cent
Take total sales of	83,954	=	100·00
Less Prime Costs	63,505	=	75·64
Gross Profit	20,449	=	24·36
	83,954	=	100·00
Selling overheads	5,312	=	6·32
Normal general expenses	8,967	=	10·69
Administration expenses	1,440	=	1·72
Total expenses	15,719	=	18·73
Profit (before tax)	4,730	=	5·63

(1) Prime costs and gross profit make up total sales in figures and percentage of 100. (2) Selling overheads are of course split into salaries, commissions, expenses, etc., with the appropriate percentage against each item. (3) Prime cost percentage is taken over sales together with the gross profit. (4) General expenses are of course broken down into the usual charges with the appropriate percentage shown against each item, and taken as a percentage on sales. (5) Administration expenses as above. (6) Profit, being percentage balance after all charges have been taken into consideration (prior to taxation).

The total expenses plus profit (before tax) agree with the gross profit per cent shown as 24·36 per cent. If by any chance the above is not clear, I should be glad to give more detailed help.

Yours faithfully,
Liverpool. S. SIMPSON.

Fixed Assets and Inflation

SIR, – It would be interesting to have an elucidation of Mr Pakenham-Walsh's point (*b*) in the letter from him published in your issue of March 3rd last.

It would certainly appear that the loss of non-distribution relief for profits tax purposes when a preference dividend is declared must certainly affect the ability of companies to keep up to date with their preference dividends.

In these circumstances, surely it cannot be said that 'preference shareholders have escaped the incidence of profits taxes'.

Yours faithfully,
London, W1. JOHN R. WARD.

[Mr Pakenham-Walsh writes: The payment of preference dividends occasions an increase in the profits tax liability. In its immediate effect, the increased liability falls wholly on the profits available to ordinary shareholders. In its remoter effects, the same is true except for the minority of companies with profits barely covering the preference dividend. Does your correspondent contend with Mr Andrew that current cost depreciation should not be charged before striking profits? If accountants persist in basing profits on historical costs, so will the Revenue: the continued erosion and taxation of capital can then reduce the majority of companies to the position of the minority and ensure that preference shareholders no longer escape the incidence of profits taxes.]

SIR, – In your issue of March 31st, there appears a letter from Mr H. A. Briscoe dealing with the question as to whether, having regard to the increasing cost of replacing assets, some change in the orthodox method of computing profits is desirable.

Mr Briscoe's views may be gathered by quoting a few words from his letter. He regards any provision for the increased cost of replacing assets 'as a device for enabling the owners of a business to retain ownership in spite of inflation', and he considers 'that accountants should not allow sectional interests to influence their judgment.'

It is evident from the whole tenor of his letter that Mr Briscoe is confusing two very distinct issues. One is whether the orthodox profit and loss account serves its purpose to the industrialist in the sense of providing him with the information he desires; and the other issue is whether the profit shown in the orthodox profit and loss account is an appropriate figure on which to base taxation of industry.

One cannot begin to discuss the first issue without asking for what purpose the industrialist wishes to see a profit and loss account at all. Speaking as an industrialist, I think the main purpose of the profit and loss account is to show directors and shareholders

the amount that has become available for distribution and expansion of business as a result of trading during the accounting period, without encroaching upon the assets of the company. It is perfectly clear that the orthodox profit and loss account does not fulfil this purpose, and that some reform is called for. The appropriate reform need not necessarily involve withholding from preference shareholders dividends that would otherwise have been paid to them.

I come now to the second issue: whether the profit shown in the orthodox profit and loss accounts is appropriate for taxation purposes. This is a more thorny question, and it is obvious that the Inland Revenue authorities must take into account considerations such as equity between one taxpayer and another, and the effect upon the economic welfare of the country of any particular method of levying taxes.

I shall only say upon the point of equity that under the present system of taxing the profits of industry, the amount levied bears no relationship to the true profits of a company. When the true profits are low, relative to the assets employed, taxation may exceed 20*s* in the pound; when they are high, relative to the assets, taxation may be less than 14*s* in the pound on the true profits. This defect at least calls for some remedy.

Mr Briscoe mentions in this letter that industry was never more healthy than at present, and is adding to equipment and stocks at an enormous rate. This will be news to most people, but it has very little, if any, relevance to the questions at issue.

I am,
Yours faithfully,
Liverpool. JOHN P. BIBBY.

Retail Chemists and the Companies Act, 1948

SIR, – With reference to the recent correspondence in *The Accountant* concerning the valuation of chemist's National Health dispensing, the method employed by a medium-sized group of companies may be of interest.

We have found that doctors follow a definite trend in their prescribing, and that prescriptions dispensed at any one branch have an average value which varies but little. We therefore take the last year for which completion payments have been received, and apply the average per prescription in that year to current National Health dispensing. This average is revised when three more completion payments have been received, the basic period of one year being retained.

Several complications arise, namely: (1) The container allowance of 2½*d* per prescription was reduced to 1¼*d* per prescription with effect from September 1949. (2) The oncost addition was reduced from 33 per cent to 16 per cent on the great majority of prescriptions with effect from May 1st, 1950. The totals of drugs and appliances and container allowance for the basic year must therefore be reduced to allow for these reductions. (3) The reduction mentioned in (2) above has gone to arbitration. This fact must be ignored in line with prudent accounting practice. (4) The cost of ingredients has risen steadily since the commencement of the National Health Scheme.

We find that a 12½ per cent increase on the National Health dispensing estimated as above is necessary to adjust for increased cost of ingredients. This percentage must be varied on current information supplied from the purchasing department.

These figures have given quite accurate results in the past, when applied to a fairly large number of branches. It is interesting to note that the cash profit per prescription varies within very narrow limits, the higher-priced prescriptions showing a lower gross profit ratio than those of smaller value.

Yours faithfully,
p.p. H. W. HERBERT LTD,
E. A. MORRISON, A.C.A.,
Egham, Surrey. *Accountant.*

Contract in Work in Progress

SIR, – The views of your readers would be appreciated on the following. Included in our company's work in progress at the end of its year to December 31st, 1950, is a contract which was substantially completed. The terms of the contract were f.o.b. British port. The goods were despatched from the works between January 4th and 8th and were on board by January 12th, 1951, on which date an invoice was sent to the customer.

Our auditors are of the opinion that this should be treated as a sale at December 31st, 1950, the full value being brought into the balance sheet under sundry debtors and the packing, transport and loading charges included in sundry creditors or, alternatively, the contract should be valued for work-in-progress purposes at its full selling price less the amount of packing etc. charges.

In our opinion the first suggestion is definitely bad as no debtor existed until the goods were despatched and the alternative means a separate valuation of each contract to bring in a substantial element of profit on what is virtually stock-in-trade.

Yours faithfully,
COMPANY SECRETARY.

Capital Allowances on Caravans

SIR, – A client of mine owns a small number of caravans, which he lets for summer holiday accommodation. The Inspector of Taxes concerned has refused to admit my claim for capital allowances on these caravans on the ground that 'in the view of the Board of Inland Revenue caravans are not plant and machinery within the meaning of the Income Tax Acts of 1918 and 1945'.

As the caravans are the normal wheeled type, are situated on a caravan site and are not subject to rates it appears grossly unfair that capital allowances should not be granted. I should be grateful to hear from any of your readers who have had any experience of contesting this point.

Yours faithfully,
Barnstaple. J. B. CRUSE.

Teeth

SIR, – May I offer – without hope or expectation of reward – the following question for the forthcoming examinations?

'Discuss the economic validity of the following proposition – "That we cannot afford to arm to the teeth if we cannot afford the teeth to arm to".'

Yours faithfully,

London, EC2. E. BALDRY.

Share Registers

SIR, – Regarding Mr L. C. Worrall's enquiry in your issue of April 21st, when installing a system of share records two points must be considered first:

(1) The likely number of shareholders.

(2) The likely number of share transactions in a year.

In the case of the largest companies with enormous shareholdings and considerable transactions then (*a*) or (*b*) below must be considered; in the more normal cases of medium-sized companies then (*c*), (*d*) and (*e*) should suffice.

The following equipment is available:

(*a*) Cards in trays for use with normal visible edger posting machinery; (*b*) ledger cards for use with punched-card equipment; (*c*) bound books: these are somewhat out of date now and are normally only used for the smallest companies of a private nature where the shareholdings are virtually static, and ransactions are very few and far between; (*d*) loose-eaf ledgers; (*e*) visible edged cards.

Both (*d*) and (*e*) are the normal equipment available for the medium-sized company, and so far as security s concerned, a lock on the ledger or on the cabinet holding the visible edged cards, combined with normal security methods of accounting procedure with loose-leaf ledgers should suffice.

The great advantage of using visible edged cards s that the name of a shareholder and the balance of hares held, which can be signalled on small insert ickets along the edge of the card, covering at least wo classes of shares, are immediately visible in each ray. This enables very rapid balancing of the share egister holdings to be carried out, which is of onsiderable value in making up the annual returns, nd also of great assistance when paying dividends.

Also by means of coloured signals the following tems can be easily shown:

(*a*) Transfers registered since last annual return; *b*) holdings ceased since last annual return; (*c*) older deceased, probate awaited; (*d*) dividend payments mandated to bank account; (*e*) dividends payble to other persons than the holder; (*f*) address of hareholder unknown, dividends to be held; (*g*) ransfers certified but not yet registered.

Although the visible edged cards take slightly onger to prepare in the first place, they have, in my pinion, the advantage of great flexibility and ease of peration.

Yours faithfully,

Manchester, 4. C. F. MILLARD.

Local Authorities: Saving Time and Paper

SIR, – Mr Darroch might like to know that some of the points raised in his recent latter (issue dated January 6th) are discussed by 'Custos II', in *Local Government Finance* for March. As regards official invoice forms, I fear that Mr S. J. Hales, whose letter you published in your issue of February 10th, may have given a wrong impression to your commercial readers. The practice of sending these with orders is certainly not generally adopted by local authorities; indeed Mr Hales' main reasons for them – that they can be printed with adequate coding and other grids – surely cannot be regarded as justifying the inconvenience they must cause the firms asked to complete them.

I suggest that all necessary grids can easily be added on the creditor's own invoice using one of three methods. The most obvious is by stamping the necessary rulings on the front of the invoice wherever there is space for them. This suffices many authorities in most cases. Alternatively the rulings can be stamped on the back: a refinement where a punched-card technique is used is to insert the coding stamp on the reverse side of the invoice but upside down on the outer side (in filing position), the top of the stamp along the bottom of the invoice. All necessary coding details can be seen by the machine operator turning up the lower part of the invoice with the left hand, the right hand being free to operate the punch or verifier. Other details on the front of the invoice – e.g., name of creditor, invoice reference number, etc., can then be picked up without delay. A further method is to print the required grids on a gummed paper which can then be attached to the invoice in a standard position. Any of these simple methods would, I think, cater to Mr Hales' requirements and avoid the use of the vexatious official invoice. I cannot agree that these forms give a better safeguard against duplicate payments than any other well-designed system of check applied to the creditors' own invoices.

Perhaps I might raise a further matter which apparently perturbs many business people, that is, the delay between the time a local authority receives an invoice and when it sends out its cheque. It is commonly believed in local government circles that there are legal difficulties in the way of reducing this often considerable period. Most authorities do, in fact, conform to a more or less involved committee procedure before sending out their cheques, partly in this belief, partly because of their council's own regulations. These factors together often result in authorities paying at monthly intervals. An invoice which is received by a spending department may, then, have to wait this length of time, even longer, before settlement. And yet there are local authorities who pay out at weekly, half-weekly, or even daily intervals. The thing is possible, evidently, and, one is inclined to say, should be done at best by the large authorities. The drawback is, as commercial readers dealing with such authorities may realize, that where invoices are coming in from perhaps dozens of sources and being paid immediately, there are separate cheques, remit-

tance advices, addressed envelopes, receipts, etc., for each of possibly many sets of invoices from any one supplier paid throughout a month. Under more usual arrangements, separate cheques, etc., would be sent out once or twice only in a month. Where these remittances are for a collection of a supplier's invoices rendered to all the various departments of an authority, this latter arrangement can result in quite a saving in time, paper – and money. But those of your readers who are at the receiving end of these processes might have other views which I, for one, should be most interested to learn.
Yours truly,
Leicester. JOHN DRURY.

The Hall of the Institute

SIR, – I am contemplating the publication of an historical description of The Institute of Chartered Accountants' Hall and am collecting any out-of-the-way information, drawings or photographs, which might add to the interest of this work.

In particular I should like to see a specimen of a souvenir of the opening ceremony of the Hall in 1893. It was prepared by Mr Walter Piggott, A.C.A., and was mentioned in *The Accountant* for the year 1893, Vol. 19, page 691.

Yours faithfully,
London, W2. JOHN H. STERN.

Company's Accident Policy

SIR, – With reference to the letter from Mr T. B. Lothian in your issue of February 17th on the above subject, I have been anticipating some replies to the points raised by him, and presumably I have been sharing his disappointment of the fact that no one appears to have met the problem.

Surely in the wide sphere of activities that are covered by your readers there must be one little voice which can be raised to aid the innocents in their problem.
Yours faithfully,
MANDY.

The Monthly Financial Statements

SIR, – We acknowledge receipt of a review of *The Monthly Financial Statements* appearing in the February 17th, 1951, issue of your magazine *The Accountant*.

We welcome intelligent criticisms of all of our publications, whether they be favourable or unfavourable, but the comment in your magazine is in our opinion a gross mis-statement of fact with reference to the contents of the book.

The article states:

> 'The first part of this book explains the method of preparing four-weekly financial statements for submission to the managements of medium-sized manufacturing concerns.'

The only comment in the booklet with reference to the four-week basis of monthly financial statements is a short paragraph, starting at the foot of page 12a, in which the author states that he does not favour the use of four-weekly statements, and the fill-out statements illustrated in the book are monthly statements, not four-week statements.

Furthermore, your article states:

> 'The information presented is so voluminous that only companies organized to near perfection could hope to attain such a rate of productivity.'

If the reviewer intended to say that the statements illustrated in the book are such that only companies with elaborate accounts could prepare such statements, the accounts of companies in your country must be very inadequate, as the statements illustrated in the book are the everyday accounts of most medium-size business concerns in this country, with the possible exception of such non-ledger tabulations as those at the foot of page 31a and on page 49a.

Yours truly,
THE COUNTING HOUSE
Wisconsin, U.S.A. PUBLISHING CO.

[Our reviewer writes: I am sorry that I have grieved the publishers of *The Monthly Financial Statements* by my remarks on it. It seems clear that I should have referred to the statements as 'monthly' instead of 'four-weekly' and for this I apologise although no possible harm can come of it as the review was headed with the name of the book in heavy black type.

On the other point which your correspondents raise, I am still of the considered opinion, after a re-perusal of the book, that the book-keeping systems, as they are at present constituted, of most medium-size companies in this country would not yield such a variety of information every month without a disproportionate amount of labour on the part of the accounting staff. The point is that the standard of financial accounting in Britain is still far behind that of the Americans in efficiency and adaptability.]

Distribution of Unrealized Profits

SIR, – I have read Dr Holt's article in your issue of December 9th, 1950, rather belatedly, but with great interest.

There are two matters I should like Dr Holt to consider. The first is whether a valuation of all assets must *invariably* be made before a profit resulting from the realization of a fixed asset can be distributed. I am aware that such a valuation was held to be necessary in *Foster v. New Trinidad Lake Asphalte Co Ltd* ([1901] 1 Ch. 208), but the facts in that case were rather unusual. The assets of an existing business had been bought for a lump-sum consideration which was apportioned by the directors over the individual items acquired. Included in these assets were debts which had originally been thought to be valueless but which actually realized some £26,000. Is it not probable that the Court considered a revaluation desirable in this case as it seemed likely that, as the directors had grossly underestimated the value of one asset, they had overestimated the value of others acquired at the same time?

The second question is the distribution in cash of unrealized profits. Part of the judgment of Lopes, L.J. in the Court of Appeal in *Lee v. Neuchatel Asphalte Co* (41 Ch.D. 1) reads:

> 'Where nominal or share capital is diminished in value, not by means of any improper dealing with it by the company, but by reason of causes over which the company has no control, or by reason of its inherent nature, that diminution need not, in my opinion, be made good out of revenue. In such a case a dividend may be paid out of current annual profits, out of profits arising from the excess of ordinary receipts over expenses properly chargeable to the revenue account, provided there is nothing in the articles of association prohibiting such an application, and provided it is done honestly. It appears to me that if a contrary view were adopted it might be successfully contended that where, owing to extraneous circumstances, the capital is increased in value, that increase might be dealt with as revenue or profits, and go to increase the dividend. *This is contrary to all practice, and I think contrary to principle.* The capital and the revenue accounts appear to me to be distinct and separate accounts, and, for the purpose of determining profits, accretions to and diminutions of the capital are to be disregarded.'

The italics are mine. I would also refer Dr Holt to part of the judgment of Peterson, J., in *Ammonia Soda Co v Chamberlain* ([1918] 1 Ch. 266), at page 277, which reads:

> 'Directors would no doubt not be justified in ascribing to a fixed asset a value which is the result of purely temporary fluctuations.'

There is, in addition, a passage on page 820 of the fifteen edition of *Palmer's Company Precedents* which reads:

> 'Unrealized accretions to capital should, however, rarely, if ever, be distributed as dividend, as the legality of this course is not at all clear, and it is subject to the inevitable risk of the valuation proving mistaken, particularly where a temporary rise in value is taken to be permanent.'

In view of the above, does not Dr Holt feel that the auditor who allows a dividend to be paid out of an unrealized profit without qualifying his certificate is treading on very dangerous ground, especially if the asset in question is a fixed asset and particularly as he cannot possibly know whether the increase in value is permanent or temporary or even, possibly, mistaken?

Yours faithfully,
JOHN WIMBLE, F.S.A.A., C.A.(S.A.)

Johannesburg, South Africa.

Dr W. B. P. Holt writes: (1) The request for a valuation of all assets, made in *Foster v. New Trinidad Lake Asphalte Co*, was not based, it is considered, on the special circumstances of that case. Whereas current revenue profits may be divided in spite of loss of capital (*Lee v. Neuchatel* series of cases), capital profits may be distributed only if the share capital is intact (*Lubbock v. British Bank of South America* ([1892] 2 Ch. 98)). This entails that all capital losses, whether realized or unrealized, must be made good before a capital profit can be divided. Consequently, before crediting a capital profit to profit and loss account the directors must first consider the book values of all the assets of the company and must make sure that none of these book values exceeds the actual value of the asset concerned. This, it is submitted, is the principal established by *Foster v. New Trinidad Lake Asphalte Co.* A detailed valuation should not be necessary where without it the directors are honestly and reasonably satisfied that the actual values of all the assets are at least equal to their book values.

(2) Lopes, L.J., in his dictum quoted above, did not distinguish between realized and unrealized profits, but between capital and revenue profits. He thought that capital and revenue accounts must always be kept as separate and distinct accounts and that a capital profit can never be credited to profit and loss account. This view can no longer be considered as good authority in its entirety since it was subsequently decided (*Lubbock v. British Bank of South America, Foster v. New Trinidad Lake Asphalte Co*, etc.) that a realized capital profit may be divided if the share capital is intact and the articles of association do not provide to the contrary. Lopes, L.J.'s dictum must now be confined to companies whose articles provide for the keeping of separate capital and revenue accounts (see *Wall v. London and Provincial Trust Ltd* [1920], 1 Ch. 45). It is no authority for the proposition that a distinction should be made between realized and unrealized capital profits.

(3) Where a capital profit is taken into the profit and loss account it should, if material, be shown as a separate item (Companies Act, 1948, Eighth Schedule, Part I, 14 (6)). If this is not done, or if the auditor has doubts whether the value placed on any asset is true and fair, he should qualify his report. If directors should ever propose to divide unrealized capital profits in cash without having obtained counsel's opinion approving of such a course in the circumstances of the case, the auditor would, to my mind, be justified in qualifying his report by stating that the legality of such a dividend has not yet been judicially tested.]

Relief from Double Taxation

SIR, – It does not appear to be generally appreciated that a portion of many dividends received from foreign companies is not liable to profits tax. That this is so is made clear in paragraph 326 of the Tucker Committee report.

It is difficult to see how the taxpayer can ascertain the fraction of the dividend which is 'franked investment income', but if enough accountants pursue the point presumably arrangements will be made similar to those made for notifying the public of 'Section 31 fractions' which refer to the corresponding relief from income-tax.

Yours faithfully,
Thames Ditton, Surrey. J. H. MITCHELL.

[It is understood from the Inland Revenue that separate calculations are not normally made for profits tax purposes and where relief is given for income-tax under Section 31, Finance Act, 1946, the same fraction may also be used for profits tax. – Editor.]

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

A SPIRITED MEETING

The sixty-eighth annual general meeting of the Chartered Accountant Students' Society of London was held in the hall of the Chartered Insurance Institute on Thursday, April 26th. About 350 members were present.

The System of Training under Articles

After a stimulating address[1] by the President, Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A., on 'Today's problems as affecting students', the meeting considered a resolution proposed by Mr J. V. Dawson

> 'That the Students' Society of London set up a committee to examine and report on the possibility of improving the system of training under articles with a view to consultation with the Institute.'

The chairman of the Committee of the Students' Society, Mr W. K. Wells, B.A., A.C.A., referred to the channels of access to the Council available to articled clerks through the committees of students' societies, the Union Liaison Sub-Committee, the district societies of qualified members, and the direct connexion provided by those members of the Council who are also active officers of students' societies.

Many other members made sound and helpful contributions to the discussion, both for and against the motion and the meeting was clearly in favour of the resolution until a member invited the President to give his personal views. Sir Harold considered that the matter should not go forward in its present form. The meeting then negatived the motion on the understanding that Mr Dawson and three other members should meet the Committee of the Society to discuss the whole question and to consider the detailed points which had been raised.

Sixty-eighth Annual Report

The meeting then adopted the report and accounts for the year ended December 31st, 1950.

The report shows that total membership at the end of the year was 3,600 (an increase of 558 during the year), being made up of 2,814 ordinary members and 786 honorary members.

Five general meetings were held during the year. At the new members' meetings held in January and September, new members were entertained to tea, welcomed by the President and the Vice-Presidents and introduced to the officers and activities of the society. About 300 members attended the annual general meeting when an address by the President on 'Your Future Profession'[2] was followed by a lively discussion on the ambitions of the articled clerk and the difficulties he meets; there was further discussion at an 'any questions' meeting.

The opening of the autumn session was marked by the president's meeting held in Guildhall after tea in the crypt, attended by about 850 members and addressed by the Lord Mayor of London, Sir Frederick Rowland, F.C.A., and by Sir Arthur fforde, Headmaster of Rugby School.[3]

Courses and Visits

There were two introductory courses for newly-articled clerks, each of fourteen meetings, two speakers' courses, each of six meetings, and two sessions of Thursday evening courses, including lectures, mock meetings, ten-minute papers, and discussions of examination questions; in addition, there were special lectures for final candidates consisting of two courses of day-time lectures, each lasting a week.

The report also describes visits to banks, the Stock Exchange, and demonstrations of mechanized accounting, and gives details of the annual dinner, the library, prizes, and scholarships and grants.

Rugby football and cricket matches were played against other students' societies.

A tribute is paid to the late Mr William Cash, F.C.A., who had been an active member of the Society for sixty-six years.

The statement of accounts for the year to December 31st, 1950, shows a surplus of £577 18*s* 4*d*. The comparable figure for the previous year was a surplus of £1,126 9*s* 9*d*.

Election of Officers

The following officers were re-elected:

President: Sir Harold Howitt, G.B.E., D.S.O., M.C., D.L., J.P., F.C.A.

Vice-President: Sir Harold Barton, F.C.A.

Committee: Messrs M. A. Linsley, Brian Manning D.L., J.P., F.C.A., F. K. Webb, F.C.A., and W. K. Wells, B.A., A.C.A.

Hon. Treasurer: Mr Douglas A. Clarke, LL.B., F.C.A.

Hon. Auditor: Mr W. E. Parker, C.B.E., F.C.A.

Sir Russell Kettle, F.C.A., and Mr T. B. Robson M.B.E., M.A., F.C.A., were elected additional Vice Presidents. On the election of Sir Russell Kettle to be Vice-President, his place as honorary auditor was filled by the election of Mr Garton Ash, O.B.E., M.C., F.C.A.

The meeting also approved an addition to the Society's rules to provide that

> 'When a President does not offer himself for re-election to that office, he shall thereupon become a Vice-President'

The members present showed clearly their appreciation of the help given to the Society by the officers who were re-elected.

The proceedings terminated with an enthusiastic vote of thanks to Sir Harold Howitt for his conduct of the meeting, for his address, and for the valuable guidance and advice he had given to the Society, and of Mr. Garton Ash's willingness to accept the appointment of joint Hon. Auditor.

[1] We hope to reproduce this address in an early issue.

[2] Reproduced in *The Accountant* dated May 13th, 1950.

[3] Sir Arthur fforde's address entitled 'Apprenticeship' and the Lord Mayor's remarks, were reproduced in *The Accountant* dated November 18th, 1950.

NOTES AND NOTICES

The Institute of Chartered Accountants in England and Wales

The President's Dinner

The President of the Institute, Mr H. Garton Ash, O.B.E., M.C., F.C.A., gave a dinner on Tuesday, May 1st, at the Hall of the Institute of Chartered Accountants, Moorgate Place, EC. The following guests were present:

Messrs Graham Adam, M.C.; W. Adams (*President, Institute of Municipal Treasurers and Accountants*); A. Stuart Allen (*President, Society of Incorporated Accountants and Auditors*); W. G. Allen (*Master, Worshipful Company of Glass Sellers*); W. M. Allen; J. Garton Ash; R. W. Bankes, C.B.E.; R. C. Barnes (*Master, Carpenters' Company*); W. L. Barrows; Sir Harold Barton; Messrs T. A. Hamilton Baynes; B. H. Binder; T. Fleming Birch; James Blakey; K. T. Boardman; C. W. Boyce, C.B.E.

Messrs W. G. Campbell; P. F. Carpenter; W. S. Carrington; John F. Carson (*President, Institute of Accountants and Actuaries in Glasgow*); S. W. Cornwell; E. G. Davies; F. R. M. de Paula, O.B.E.; A. S. H. Dicker, M.B.E.; J. F. Dunk; Derek du Pré; H. W. Elliott; C. E. Fletcher; G. R. Freeman; P. Gardner, T.D.; S. H. Gillett, M.C.; P. F. Granger.

Messrs F. McD. Hall; P. E. Harding, O.B.E., M.C.; T. G. Harding; J. Gibson Harris; M. G. J. Harvey; Sir David Allan Hay, K.B.E. (*Chairman, Chartered Accountants of Scotland Joint Committee of Councils*); Major-General E. C. Hayes, C.B.; Messrs O. W. Horne, M.C.; R. Horrox; D. V. House; H. Crewdson Howard; Sir Harold Howit, G.B.E., D.S.O., M.C.; Messrs C. I. R. Hutton (*Chairman, Association of Scottish Chartered Accountants in London*); P. R. Johnston (*Master, Worshipful Company of Solicitors of the City of London*); Sir Russell Kettle.

Messrs J. C. Latham, D.L.; A. H. Lawrence; W. H. Lawson, C.B.E.; Frank S. Linnell (*President, Chartered Auctioneers and Estate Agents' Institute*); C. H. S. Loveday; Thomas G. Lund, C.B.E.; E. H. V. McDougall; W. R. MacGregor; Alan S. MacIver, M.C.; J. S. Mackenzie; N. C. Macnamara; E. H. S. Marker, C.B.; F. A. A. Menzler (*President, Institute of Actuaries*); K. A. E. Moore; P. Morgan-Jones.

Messrs C. D. North; W. Charles Norton, M.B.E., M.C.; Herbert J. Page; J. C. Parson; S. J. Pears; C. U. Peat, M.C.; G. Godfrey Phillips, C.B.E.; P. M. Rees, M.C.; G. B. Robins; Lawrence W. Robson; T. B. Robson, M.B.E.; Sir Frederick Rowland, BART.; Messrs G. F. Saunders; Gilbert D. Shepherd, M.B.E.; B. S. Simmonds (*Master, The Drapers' Company*); L. C. Simpson; H. A. Snell; E. Evan Spicer; C. M. Strachan, O.B.E.

Messrs E. D. Taylor; T. A. L. Thompson, D.S.O., M.C.; G. L. C. Touche; E. G. Turner, M.C.; W. G. Vincent; A. D. Walker; Sir Nicholas Waterhouse, K.B.E.; Miss Ethel Watts (*Chairman, Woman Chartered Accountants' Dining Society*); Messrs G. M. W. West; V. W. Wetherill (*Chairman, the Building Societies' Association*); M. Wheatley Jones; E. F. G. Whinney; H. B. T. Wilde; F. O. Wills (*Master, Worshipful Company of Wheelwrights*); Sir Edward Wilshaw, K.C.M.G. (*President, Chartered Institute of Secretaries*); Messrs Frederick Wilson, O.B.E. (*President, Association of Certified and Corporate Accountants*); James Wood.

There were no formal speeches. The toast of 'The King' was proposed by the President, and Sir Frederick Rowland proposed the toast of the President. Mr Garton Ash replied.

During the evening, entertainment was provided by Mr Robert Harbin assisted by Dorothy, presenting 'The Impossible'.

Personal

MESSRS JOHN ADAMSON, SON & CO, Chartered Accountants, of 1 Chancery Place, Booth Street, Manchester, 2, announce that Mr JOHN CEDRIC BROWN, A.C.A., who has been connected with the firm for almost twenty years has been admitted as a partner as from May 1st, 1951. The practice will be continued by Mr JOHN MAXWELL, F.C.A., Mr T. H. PARKER, A.C.A., and Mr J. C. BROWN, A.C.A., under the same name as hitherto.

The Institute of Cost and Works Accountants

Twenty-second National Cost Conference

The twenty-second national cost conference of the Institute of Cost and Works Accountants will be held on Friday, June 1st, at the Dorchester Hotel, London.

The conference will commence at 10 a.m. when the President, Mr Lawrence W. Robson, F.C.A., F.C.W.A., will deliver the presidential address. The first technical session follows when a paper prepared by the Research and Technical Committee of the Institute, on the subject of 'The effect of changing price levels on the presentation of accounting statements and on cost ascertainment' will be considered. In the afternoon there will be an open session, to which an invitation is extended to representatives of all three grades of management, tickets for which may be had from the Institute. The subject of this session will be 'The cost accountant's contribution to increased productivity, as it affects (*a*) top management, (*b*) production management, and (*c*) shop supervision'. The speakers will be Sir Charles Bartlett, managing director of Vauxhall Motors Ltd, Mr J. Halifax, A.M.I.W.M., a production superintendent of Hoover Ltd, and Mr C. J. Keedy, production assistant manager at the Royal Ordnance Factory at Glascoed. The chairman will be Mr H. Wilmot, C.B.E., F.C.W.A., managing director of Beyer Peacock & Co Ltd. Those attending the afternoon session are invited to be present at luncheon, when there will be a guest speaker, tickets for which may be obtained from the Institute at 12*s* 6*d* each.

In the evening the Institute banquet will be held, followed by dancing and cabaret. The conference will conclude on Saturday morning when the thirty-second annual general meeting of the Institute will be held.

P.A.Y.E.: Z and G Class Reservists

The Inland Revenue state that there is no need for an employer to send to the tax office a P.A.Y.E. leaving certificate on form P.45 when an employee leaves for fifteen days' or three months' training.

In Parliament

MONEY PRIZES: TAX

Brigadier CLARKE asked the Chancellor of the Exchequer whether monetary prizes won outside this country by British citizens are subject under his regulations to tax.

Mr GAITSKELL: Liability to income-tax would depend on the circumstances of the case. In some circumstances a prize would be regarded as professional earnings, but a prize, like the Nobel Prize, awarded simply as a mark of honour or distinction is outside the scope of income-tax liability.

Hansard, April 17th, 1951. Written Answers, Col. 153.

BUILDING SOCIETIES: TAX

Mr BLACK asked the Chancellor of the Exchequer at what rate profits tax will be chargeable to building societies in the fiscal year 1951–52.

Mr GAITSKELL: I do not propose to alter the overriding limit of 6 per cent of the profits computed without deduction of loan interest, as laid down by subsection (3) of Section 7 of the Finance (No. 2) Act, 1947; but, subject to that limitation, building societies will be liable to the increased rate of profits tax as from January 1st, 1951.

Hansard, April 24th, 1951. Written Answers, Col. 31.

INCOME TAX: AGRICULTURAL MACHINERY

Brigadier MEDLICOTT asked the Chancellor of the Exchequer if the withdrawal of the initial allowance for income-tax purposes will apply to agricultural machinery and equipment.

Mr MACDONALD asked the Chancellor of the Exchequer whether the suspension of the initial allowance for industrial equipment applies to agriculture.

Mr GAITSKELL: Yes, sir.

Mr NABARRO: Does the right hon. gentleman's reply mean that the initial allowances for income-tax purposes are also withdrawn from commercial vehicles used for agricultural purposes?

Mr GAITSKELL: Yes, they are withdrawn from the beginning of the fiscal year 1952–53 from all industry and agriculture.

Hansard, April 24th, 1951. Oral Answers, Col. 211.

BUILDING SOCIETIES: INCOME TAX AND SUR TAX

Mr BLACK asked the Chancellor of the Exchequer whether there will be any change in the method of assessing sur-tax on interest received from deposits and shares in building societies in the fiscal year 1951–52.

Mr GAITSKELL: No, sir. The new method will apply only as from the year 1952–53.

Mr BLACK asked the Chancellor of the Exchequer what will be the composite rate of income-tax chargeable to building societies in the fiscal year 1951–52.

Mr GAITSKELL: The composite rate for 1951–52 has not yet been determined. The appropriate rate will be discussed with the Building Societies Association in due course.

Hansard, April 24th, 1951. Oral Answers, Col. 212.

The Institute of Accountants and Actuaries in Glasgow

It is stated in the report for 1950 of the Council of the Institute of Accountants and Actuaries in Glasgow, that at December 31st, 1950, the membership of the Institute totalled 3,447. The indentures of 241 apprentices were registered during the year as compared with 247 in 1949.

The report outlines the steps taken towards the amalgamation of the three Scottish societies under the title of The Institute of Chartered Accountants of Scotland which is expected to become effective shortly; meanwhile, the following officers were elected for the intervening period:

President: Mr John F. Carson, O.B.E., V.D.
Auditor: Mr Andrew R. Templeton
Treasurer: Mr Andrew Craig.
Secretary: Mr William L. Davidson.
Council: Messrs C. D. Gairdner, W. Maxwell Simmers, James Whitton, Sir Ian F. C. Bolton BART., Messrs John W. Andrew, M.C., John H Johnston, Andrew W. Mudie, David H. Taylor Sir David Allan Hay, K.B.E., Messrs J. Campbell Davies, Ian W. Macdonald, Douglas A. Wright.

The Canadian Institute of Chartered Accountants

The following paragraph appears in the March 195[illegible] issue of *The Canadian Chartered Accountant*, which is published by the Dominion Association of Chartered Accountants:

> 'A Bill to change the name of the Dominion Association of Chartered Accountants to The Canadian Institute of Chartered Accountants has passed both Houses of Parliament, and at the time of going to press with this issue was awaiting the assent of the Governor-General, which is expected shortly.'

The wording of the Bill follows this announcement but is not reproduced here.

Accountant Anthropologists

A member of the American Institute of Accountants who is visiting this country shortly, has expressed the desire to meet a member of the Institute of Chartered Accountants who is an anthropologist.

Would any member who is interested in anthropology kindly write to the Editor, *The Accountant* 4 Drapers' Gardens, Throgmorton Avenue, London EC2.

Approved Auditors: Friendly Societies

The revised list of approved auditors appointed as from January 1st, 1951, by the Lords Commissioners of H.M. Treasury for the purposes of the Industrial and Provident Societies Acts, 1893 to 1928, the Friendly Societies Acts, 1896 to 1948, and the Industrial Assurance Acts, 1923 to 1948, has been issued by the Registrar of Friendly Societies, 17 North Audley Street, London, W1.

Actuaries' Investment Index

The following table is a brief extract from the latest figures furnished to subscribers to the Actuaries' Investment Index, which is undertaken jointly by the Institute of Actuaries and by the Faculty of Actuaries in Scotland:

Class of Security	No. of Securities	Price Indexes (December 31st, 1938=100) Dec. 28th 1949	Dec. 27th 1950	Jan. 30th 1951	Feb. 27th 1951	Mar. 27th 1951
British Government 2½ per cent Consols	1	100·0	100·7	98·4	96·9	96·4
Home Corporations	4	96·8	99·3	98·2	95·4	93·8
Investment Trust Debentures	4	95·0	97·6	97·7	97·3	97·4
Industrial Debentures: (Productive, Distributive and Miscellaneous)	20	100·2	101·0	101·0	100·2	99·4
Investment Trust Preference Shares	8	94·6	98·0	97·8	94·5	93·1
Industrial Preference Shares: (Productive, Distributive and Miscellaneous)	65	100·1	103·9	103·2	100·8	98·6
Industrial Ordinary Shares:						
Productive	39	127·7	141·4	147·5	153·3	150·0
Distributive..	24	168·4	184·6	191·5	192·1	185·9
Miscellaneous	39	123·4	121·8	123·8	130·2	120·8
All Classes of Industrial Ordinary Shares combined ..	120	132·2	140·6	145·1	150·2	143·7
Ordinary Shares:						
Banks and Discount Companies	10	100·9	102·8	101·2	100·1	99·3
Insurance Companies ..	10	104·1	115·6	124·1	124·8	126·3
Investment Trust Companies	9	113·0	138·5	142·4	148·1	146·4

Construction: Geometric average, accrued interest in fixed interest securities and bonus issues allowed for.
'Productive': Aircraft, Building, Cotton, Electrical Manufacturing, etc.
'Distributive': Shipping, Stores and Catering.
'Miscellaneous': Companies not included under any other heading.

The Hour of Reckoning

'I am convinced personally . . . that the hour of reckoning is not far distant'. These were the concluding words of an address by Mr S. P. Chambers, C.B., C.I.E., Finance Director of I.C.I. Ltd, on 'The Budget: its implications for British industry', at a luncheon meeting given on Monday last, by *The Manager* at the Park Lane Hotel. Mr Chambers had been speaking of the impact and some of the effects of inflation on industrial finance.

Rating Assessments

A small booklet[1] explaining the methods of valuation for rating which were introduced by the Local Government Act of 1948, and appeals procedure, has been issued by the Incorporated Association of Rating and Valuation Officers. The booklet is designed as a brief guide for the ratepayer whose property will be assessed at the proposed revaluation of April 1953, and indicates the rights of appeal should he wish to contest his assessment.

[1] *Rating Assessments*, The Incorporated Association of Rating and Valuation Officers, Livingstone House, 42 Broadway, London, SW1. Price 6*d* net.

Housing Statistics, 1949–50

For the first time the Research Committee of the Institute of Municipal Treasurers and Accountants has prepared a summary[1] of housing statistics. Local authorities represented in this informative return for 1949–50 include all county boroughs, the London County Council, 186 non-county boroughs, 137 urban districts and 32 rural districts. Details included in the tabulation are the number of dwellings owned by the local authority, together with a statement of capital costs of typical houses built during the year; a summary of the housing revenue accounts and housing repairs accounts, and an analysis of the weekly rents charged.

The summary states that the highest weekly net rents charged at March 31st, 1950, for three-bedroom houses were 22*s* 5*d* and the lowest 5*s* 10*d*. The highest capital cost for three-bedroom houses completed during 1949–50 was in the county borough of East Ham, and the lowest capital cost was in the urban district of Broadstairs, Kent.

[1] The Institute of Municipal Treasurers and Accountants (Incorporated), 1 Buckingham Place, London, SW1. 6*s* net.

The Canadian Tax Foundation

Four years ago, the Canadian Tax Foundation was established by the joint action of the Dominion Association of Chartered Accountants and the Canadian Bar Association. Its objects are to promote research with a view to establishing the basic provisions and policies of Canadian tax law on a sound footing and to keep under review the continuing process of tax amendment, making representations, when considered necessary, to the Government.

We are glad to be able to record that, judging from its fifth annual report, for the year to December 31st, 1950, just received, the scope, influence and usefulness of the Foundation seems to be growing steadily.

Recent Publications

HANSON'S DEATH DUTIES, Ninth Edition, fourth cumulative supplement, by Jackson Wolfe, LL.D., and Henry E. Smith, LL.B. xvi+141 pp. 9½×6. 15s net. Sweet & Maxwell Ltd, London.

CAPITAL EROSION AND THE INCOME TAX ASSESSMENT ACT. 32+ix. 8½×6. Paper cover. The Colonial Sugar Refining Co Ltd, Sydney.

OFFICE PRINTING AND DUPLICATING, by J. E. Dunkley, 40 pp. 9½×6. Paper cover. 5s net. Office Management Association, London.

THE ROLE OF MEASUREMENT IN ECONOMICS, by Richard Stone. vi+85 pp. 9½×6. 12s 6d net. Cambridge University Press, London.

MONEY IN A MAELSTROM, by J. W. Beyen. ix + 212 pp. 8½ × 5½. 15s net. Macmillan & Co Ltd, London.

RANKING, SPICER AND PEGLER'S THE RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES AND RECEIVERS, Twenty-first Edition, by H. A. R. J. Wilson, F.C.A., F.S.A.A., and R. D. Penfold, LL.B. xxxiii + 452 pp. 9½ × 7. 21s net. H.F.L. (Publishers) Ltd, London, and Sir Isaac Pitman & Sons Ltd, London.

SCIENTIFIC METHOD FOR AUDITING, by Lawrence L. Vance. xii + 108 pp. 9½ × 6. 19s net. University of California Press (obtainable from Cambridge University Press).

PROVINCIAL RETAIL SALES TAXES IN CANADA, by John F. Due. 24 pp. 9 × 6. Paper cover. 50 cents. Canadian Tax Foundation, Toronto.

LINDLEY ON PARTNERSHIP, 11th Edition, by Henry Salt K.C., M.A., LL.B., and Hugh E. Francis, LL.B. clx+1,227 pp. 10×6½. £6 6s net. Sweet & Maxwell Ltd, London.

AID TO CALCULATING BALANCING ALLOWANCES, devised by D. C. Beaton, C.A. 5 pp. 9½×6. Paper cover. 2s 6d net. Jordan & Sons Ltd, London.

JORDAN'S COMPANY LAW AND PRACTICE, 19th Edition, by L. J. Morris Smith, Barrister-at-Law, and Stanley Borrie, Solicitor. xvi+747 pp. 8½×5½. 30s net. Jordan & Sons Ltd, London.

THE CONDITIONS OF ECONOMIC PROGRESS, 2nd Edition, by Colin Clark, M.A. xv+584 pp. 8½×5½. 50s net. Macmillan & Co Ltd, London.

TAX CASES VOL. XXXI, PART VI. Paper cover. 1s net. His Majesty's Stationery Office, London.

SPECIMEN ANSWERS TO THE QUESTIONS SET AT THE CHARTERED INTERMEDIATE EXAMINATION, November 1950, 6s net. Study Services Ltd, London.

THE FUTURE OF PRIVATE ENTERPRISE, by George Goyder. vii+179 pp. 8×5½. 9s 6d net. Basil Blackwell, Oxford.

TRIAL - AND ERROR, by Herbert H. Marks, F.C.A. 64 pp. 7½×5. 5s net. The Mitre Press, London.

MANAGEMENT OF THE SMALLER OFFICE. 91 pp. 9½×6. 6s 3d net. British Institute of Management, London.

A SIMPLE EXPLANATION OF THE LEGAL AID SCHEME, by Derek H. Hene, M.A.(CANTAB.). 56 pp. 8½×5½. 2s net. *Daily Express*, London.

STANDARDS PLANNING ÉCARTS, by G. Commesnil. xxiv+381 pp. 10½×8½. 2,000 frs. 'Le Commerce', Paris.

BRITISH ECONOMIC HISTORY SINCE 1760, by S. G. E. Lythe, M.A. vii + 219 pp. 8½ × 5½. 15s net. Sir Isaac Pitman & Sons Ltd, London.

INSURANCE OF PROFITS, by A. G. Macken. Fifth Edition. x + 157 pp. 8½ × 5½. 16s net. Sir Isaac Pitman & Sons Ltd, London.

THE BRITISH JOURNAL PHOTOGRAPHIC ALMANAC 1951. 580 pp. 7½ × 5. 5s net. Henry Greenwood & Co Ltd, London.

Our Contemporaries

THE ACCOUNTANTS' MAGAZINE. (April.) 'Accounting and Control in a Departmental Store', by A. Noel Smith, C.A.

LOCAL GOVERNMENT FINANCE. (April.) 'The Need for Retrenchment', by Paul Bareau.

THE COST ACCOUNTANT. (April.) 'Some Further Considerations on the Allocation of Overheads', by A. Holdsworth, B.COM., F.C.W.A., A.A.C.C.A., A.C.I.S.

ACCOUNTANCY. (April.) 'Goodwill in Accountancy Practices'.

LLOYDS BANK REVIEW. (April.) 'The New Commodity Inflation', by Oscar R. Hobson.

PROGRESS. (Spring 1951.) 'The Place of the Chemist in Industry', by Horatio Ballantyne.

WESTMINSTER BANK REVIEW FESTIVAL OF BRITAIN SUPPLEMENT. 'Fashion and the Banks', by James Laver.

N.A.C.A. BULLETIN (New York.) (April.) 'The Art and the Science of Distribution Costing', by John A. Beckett.

Other Publications Received

JOURNAL OF THE INDIAN INSTITUTE OF ACCOUNTANCY AND TAXATION (New Delhi.) (March.)

THE NEW YORK CERTIFIED PUBLIC ACCOUNTANT. (New York.) (March.)

INTERNE BEDRIJFS ORGANISATIE. (Amsterdam.) (April.)

BULLETIN OF THE OXFORD UNIVERSITY INSTITUTE OF STATISTICS. (April.)

REVISION OG REGNSKABSVAESEN. (Copenhagen.) (March.)

Our Weekly Problem

NO. 42: WHAT WAS THE SUBSCRIPTION?

'I see,' said Charles Sidate, 'that in the String-Pullers' Association they invite all the new members when they pay their subscription, to contribute a guinea to the benevolent fund.'

'Very proper,' said Mr L. U. Sidate. 'It is a good indication of the interest of members; but do they all accept the invitation?'

'Well, no,' said Charles. 'The report said that eight did not contribute anything, and one sent 10s. They also have a curious rule that everyone must contribute 2s to the association "sweep". Altogether the new members paid £510; I think they had nearly a hundred last year.'

What was the subcription to the String-Pullers' Association?

The answer will be published next week.

ANSWER TO PROBLEM NO. 41: BALANCE SHEET ADJUSTMENTS

If x was the original total the incorrect adjustments could be expressed:

$$(x - 1{,}000) + \frac{2}{3}(x + 1{,}000) =$$
$$4\left\{(x + 1{,}000) - \frac{2}{3}(x + 1{,}000)\right\}$$
$$x = 5{,}000$$

The original balance sheet total was thus £5,000.

The Accountant

ESTABLISHED 1874

MAY 12TH 1951

VOL. CXXIV NO. 3986

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THE INSTITUTE'S YEAR

ELSEWHERE in this issue we report in full the proceedings at the seventieth annual meeting of The Institute of Chartered Accountants in England and Wales, at which MR HAROLD GARTON ASH, O.B.E., M.C., F.C.A., presided. That no questions were asked at the meeting is a tribute both to the administration of the Council and to the comprehensiveness of its report[1] and accounts which had been previously circulated to members.

In the course of his address, the PRESIDENT stated that there had been no lessening in the activities of the Institute or in the demands made on the time of the members of the Council and members of the Taxation and Research Committee. One hundred and eighty-five meetings of the Council and committees were held in 1950 as compared with 183 in 1949, and the Taxation and Research Committee, with its special committees, met on 71 occasions as against 57 the year before. Ample evidence of the painstaking work performed at these sessions has recently been forthcoming in the shape of such useful pamphlets as *The Town and Country Planning Act*, 1947: *Notes on the accounting implications of the Act*[2] and *Notes on statistics relating to income of and capital employed by companies*,[3] both issued in February of this year. Another notable publication, in the following month, was the report on the education and training of articled clerks[4] for membership of the Institute, prepared by the Council in view of the nature of the recommendations made last year by the Carr-Saunders Committee in its report on education for commerce. Yet another publication, expected to be available within the next few weeks, is the report on *Some accounting terms and concepts*, prepared by the Joint Exploratory Committee which consists of three members appointed by the Council and three members appointed by the National Institute of Economic and Social Research. This document should arouse much interest and not a little controversy in the profession, especially in view of the fact that a lead has been given to industry by the directors of Imperial Chemical Industries Ltd in their 1950 balance sheet, shortly to be issued, on the question of revaluing manufacturing assets on the basis of current replacement costs.[5]

As well as disseminating professional literature under its own imprint, the Council has submitted during the year memoranda to a number of important commissions, among them the Committee on the Taxation Treatment of Provisions for Retirement under the chairmanship of MR J. MILLARD TUCKER, K.C., and

[1] Reproduced in our issue dated April 28th, 1951. [2] Reproduced and commented on in our issue dated March 3rd, 1951. [3] See leading article in our issue of February 24th, 1951. [4] See leading article in our last issue. [5] See Weekly Note – 'Revaluation of Assets' in our last issue.

the NATHAN Committee on Charitable Trusts. It also submitted to the CHANCELLOR OF THE EXCHEQUER a memorandum on the Finance Bill, 1950, which was later discussed with representatives of the Board of Inland Revenue. A statement is at present being prepared for the Royal Commission on the Taxation of Profits and Income presided over by LORD JUSTICE COHEN. MR W. S. CARRINGTON, F.C.A., a member of the Council, is also a member both of the Royal Commission and of the TUCKER Committee considering the taxation treatment of provisions for retirement.

In domestic matters, 1950 has been a year of considerable progress for the Institute. The total number of candidates at the Intermediate and Final examinations reached a new record of 4,386, an increase of 435 over 1949, mainly at the Final examination. The influx of articled clerks is again on the increase, 1,440 being registered in 1950 as compared with 1,305 in 1949. The PRESIDENT disclosed that although the successful candidates in the November 1950 Final examination represented only 42 per cent of the total entrants, 53 per cent of the candidates sitting for the first time were successful. Further, taking only those who were making their first attempt and who had not been exempted from the Intermediate examination, the percentage was 64. These figures show that the overall percentage of passes is unfavourably weighted by the 'chronics' who fail consistently. The decision of the Council to inform 'bad failures' of their aggregate marks is wise. It will enable them to seek other occupations for which they have more aptitude before acquiring an unhappy complex about their inability to pass examinations. It will also help to raise the standard of the profession.

During the past year the Accountants' Co-ordinating Committee, on which the Institute is represented, has been considering new draft forms of the Public Accountants Bill. The PRESIDENT, in the course of his speech, intimated that it had not been possible to arrive at any draft which would be likely to satisfy the Institute's minimum requirements.

> 'I refer (he said) to the protection which should be provided both to the public and to members against the activities of unqualified persons who may be engaged wholly or in part in accountancy work of all kinds and who advertise their services. In the opinion of the Council this arises from the impracticability of arriving at any satisfactory statutory definition of "accountancy" which would be generally acceptable and from the fact that accountancy services which cannot be controlled are rendered by so many persons other than practising accountants themselves.'

The Co-ordinating Committee will continue to meet and the Council has suggested that it should examine the possibility of securing an amendment of Section 161 of the Companies Act, 1948, to extend its application to all companies and to strengthen the requirements of the Act regarding the qualifications of persons for appointment as auditors.

Mainly as a result of the increased rate of subscriptions now in force, the Institute's income and expenditure account for the year shows a surplus of £16,673 compared with a deficit of £2,318 for 1949. The surplus has been added to the accumulated fund which, due to the war years, is still £20,000 less than the 1939 figure. Because of inflation, the Council has revised the Institute's investment policy. In order to minimize, as far as possible, the fall in the purchasing power of money represented by invested funds, the Council has now replaced approximately half of its trustee fixed-interest holdings with a selection of insurance company and investment trust variable-interest stocks. The Institute's bye-laws permit of this and the policy is broadly consistent with that advocated in the memorandum submitted to the NATHAN Committee on Charitable Trusts.

Two other events in a crowded year, apparently unrelated yet strangely linked, should perhaps be mentioned. In St Michael's Church Cornhill, on Wednesday, March 7th, 1951, a Roll of Honour containing the names of 202 members of the Institute and of 273 articled clerks who lost their lives in the Second World War was dedicated by the BISHOP OF STEPNEY. At the Council meeting held on the same day 425 successful Finalists were made Associates of the Institute – the largest number, it is thought ever to have been admitted at one Council meeting. The Roll of Honour now stands in the Library of the Institute as a constant reminder to those new members who have closed the gaps in the ranks that the profession is a part of that civilization which their predecessors, both in peace and in war, strove so hard to preserve.

CONTROL OF PUBLIC CORPORATIONS

FUNCTIONS OF THE AUDITOR

Relative Merits of Official and Commercial Audit

by H. O. H. COULSON, F.C.A.

The question of the efficacy of the audit applied to the accounts of public corporations has received some attention. In this article the author, who was Director of Internal Audit and Accounting Procedure at the Ministry of Food from 1939 to 1944, discusses the subject and contrasts the relevant merits of official and commercial audit. He puts forward certain broad suggestions for consideration.

WITH the impact of the nationalization of a number of large and basic industries, the functions discharged by corporations set up by statute, by Royal Charter, or otherwise, have impinged more and more upon fields heretofore covered by firms, companies, and other bodies having a financial responsibility to a limited body of proprietors and, accordingly, controlled by methods which have become customary and habitual, and which are, in the circumstances, more easily defined and operated.

In such circumstances it is perhaps inevitable that questions should be raised as to the extent to which the submission and audit of the accounts of such corporations can be made to play a part in their control. From this have developed further questions as to the manner in which, and to whom, the auditors should make and address their reports, and the procedure for consideration and action upon such reports.

Accounting Responsibility of Corporations

Corporations of this kind, in that they undertake functions analogous to trading, or succeed to organizations which have previously traded, bear a real, if in some respects superficial, resemblance to trading companies and firms whose procedure in accounting, audit, and reporting to proprietors is defined with some degree of precision by statute and by the long standing and continually developing custom and practice of commercial men and of professional auditors.

In that their responsibility is not to a clearly defined body of proprietors but to a more diffuse and amorphous body, viz. the general public, or the nation or the State – however described – the corporations tend to resemble (but again somewhat superficially) departments of State, the audit of which is defined, with less precision, by the Exchequer and Audit Department Acts of 1866 and 1921, as amended by numerous other statutes.

The audit of government departments is, in general, conducted by the Exchequer and Audit Department, the head of which, the Comptroller and Auditor-General, reports annually to Parliament upon the accounts. The reports which he makes are considered by the Select Committee of Public Accounts and form the basis of oral examination by that Committee of the accounting officers of the various departments.

So far as the public corporations are concerned, the audits have, in general, so far been entrusted to professional auditors, under terms similar – subject to such modification as might be decided in individual cases – to those of the auditors of limited companies and other bodies incorporated under similar statutes. The reports of the auditors, whilst somewhat amplified to meet the circumstances of each case, have tended to follow the form of the more or less standard reports used by auditors in relation to the accounts of companies.

The accounts of certain, but by no means all, of the public corporations are required to be laid before Parliament and, in some cases, are made the subject of Parliamentary debate. With the heavy demands upon Parliamentary time, it has been suggested – perhaps not unnaturally by members of the Opposition – that the debates do not give sufficient opportunity for effective enquiry into the operations of the corporations and that, in any case, Members of Parliament are insufficiently informed upon the details of those operations to be able to ask effective questions or to apply the same methods of control as are applied to government departments. It has followed that there have been suggestions either that the accounts should be placed under the scrutiny of the Select Committee of Public Accounts or that a similar committee should be set up for the purpose. In consequence, it has further been suggested that the audit of the accounts should be placed in the hands of the Exchequer and Audit Department, if the Committee of Public Accounts is to be concerned, or of a similar audit department set up to function in relation to the public corporations if a separate committee is constituted.

Form and Purpose of Accounts

It is felt that it is necessary to look somewhat beneath the surface before being led by the superficial resemblances of the corporations to companies or to government departments, as the case may be, to the view that a professional audit or an official audit is the better. It is not sufficient to consider the method of audit, its purposes, or the manner of reporting, without in the first place considering the form and purpose of the accounts which are the subject of audit and of report, and the manner in which responsibility for those accounts is enforced.

The accounts of government departments vary considerably in form and in responsibility, but the greater part of them are, in effect, the accounts in which the accounting officer of the department (who is now usually, but not invariably, the permanent head of the department – in most cases the secretary) sets out the manner in which he has discharged his financial responsibilities and accounted for the public moneys placed in his hands for the purpose of discharging his duties.

In the first place, departments are required to submit estimates of their expenditure, divided over various heads and sub-heads, which, after receiving consideration by the Treasury and the Select Committee on Estimates, are formally debated in Parliament and approved, with such amendment as may be agreed or decided upon. Expenditures within the appropriate estimates and sub-heads are then incurred by the department but should, in every case, be covered by or capable of relation to, specific sanction or authority given by the Treasury. It is customary for sanction to be sought informally in many matters, although strictly, formal sanction should be obtained for every item.

In the circumstances, the accounts of departments tend rather to become omnibus accounts of cash receipts and payments, broadly classified under a number of large heads and sub-heads, bearing little or no resemblance to the classification of expenditure normally found in the accounts of a trading organization. As a yardstick for the assessment of efficiency, such accounts are of no value whatever and their appearance, between seven and twelve months after the close of the period to which they relate, is too belated to be of any use for such a purpose. They are, indeed, no more designed as an aid to management than the cash book of a normal business. Certain departments produce, in addition, 'trading' accounts which are the subject of examination by the Exchequer and Audit Department but, in general, such trading accounts are regarded as subsidiary to and of less importance than the formal vote accounts which are upon a cash basis. They, also, appear long after the close of the period to which they relate, are not in a form of use for control purposes and are not used therefor. The use of interim, e.g. monthly, accounts is seldom if ever attempted and even in cases in which departments have produced quarterly trading accounts they have seldom, if ever, been used for management purposes, even if sufficiently prompt in preparation.

It follows that, if the accounts of government departments were presented with no more than a formal audit report in terms similar, so far as is possible, to the audit reports used on the accounts of limited companies, it would be, for practical purposes, impossible for any individual to raise any constructive question or enquiry upon them as they stood. If, of course, he had access to information about specific items upon which he could make enquiry, questions could be raised but with no direct application to the accounts themselves.

Criticism of Results

It is perhaps desirable at this point to emphasize one big difference between the accounts of government departments and those of commercial undertakings in general. Commercial accounts recognize that there will be many transactions taking place with varying degrees of profitability or loss. It may well be that some transactions are ill-advisedly undertaken, others are wise, but if in the aggregate the result is satisfactory – which usually means an adequate profit is shown in total – shareholders and proprietors do not concern themselves greatly with the fact that individual transactions may have resulted adversely. Accounts tend, therefore, to reflect the total outcome of transactions and attention is directed, more and more, to the ultimate trading profit or loss, rather than to the items making up the result or the transactions giving it rise.

The transactions of government departments, however, must be so controlled and recorded that any individual item, however small, can be defended and so that information is available to make possible an answer to any question which may be raised by a Member of Parliament. Conversely, it is in great measure a matter of indifference what, if anything, the totals of the accounts may show and it may well be no defence in reply to a question upon an unsatisfactory transaction, however small, that the great volume of similar transactions has given satisfactory

results. It follows from the nature of the operations of a department that no simple yardstick of efficiency, e.g. profit or loss, is available, but the accounts submitted, being constructed upon a cash basis, and with relation rather to the authorization of expenditure than to its outcome, give little or no real information as to costs or classifications of expense.

Writing off of Losses

It is inevitable that in the course of a year's operations transactions will be entered into by departments, the results of which prove unsatisfactory. The best laid schemes will sometimes take an adverse turn and what should have been profitable and resulted in no cost to the Exchequer may go wrong and result in loss. In such cases sanction must be sought from the Treasury for the loss to be 'written off' – although, in fact, no writing-off (as generally understood by accountants) arises, as the transactions, being recorded in cash accounts, will almost certainly have been individually sanctioned already and, in effect, written off by charges to the vote. In giving sanction on such matters, the Treasury may make a condition that a note should be inserted upon the account of the vote dealing with the matter. In some cases at least, questions of this kind may arise from queries raised by the Exchequer and Audit Department. In whatever manner the matter has been raised, it may be referred to by the Comptroller and Auditor-General in his report and thereby become the basis of questions and criticism by the Select Committee of Public Accounts.

Official Audit

Apart from this, the audit carried out by the Exchequer and Audit Department consists in the first place of a very full check of the authorization of payments. It will be seen, for example, that all expenditure falls within the appropriate subheads of the vote approved by Parliament and that all expenditure thereunder has received the specific sanction of Treasury or is covered by general and customary sanctions. The existence of extra-statutory expenditure will make it necessary for covering sanction to be sought from Parliament, and the existence of expenditure not covered by Treasury sanction, although covered by the vote, would be brought to the attention of the department so that sanction might be sought with, possibly, the attachment of a note to the account.

In the course of years, a considerable body of precedent rules has been built up, under which accounting officers are required to follow certain procedures in, for example, the placing of contracts, the incurring of expenditure, etc. The Exchequer and Audit Department will take note of cases in which approved procedure has not been followed and may well draw attention to it in the report of the Comptroller and Auditor-General. In some circumstances, reference may be made to cases in which, although approved procedure has not been omitted, further steps were not taken for which no express procedure has previously been laid down, which might have further safeguarded public funds. The Select Committee may, in such event, put the matter before the Treasury so that that department may formulate and promulgate an additional rule or rules upon the point.

Reports of the Auditor-General

Whilst there is no express limitation upon his report, it is generally the case that the Auditor-General will not therein raise questions of policy and that, if he has occasion to refer to facts suggesting the waste or ill-advised expenditure of public funds, he will do so rather from the point of view that sanctions have not been unqualified, estimates have been exceeded, procedures not followed or that further steps could have been taken, than from the point of view that the expenditure itself was unwise or ill-advised. Broadly speaking, if expenditure has proper Parliamentary and Treasury sanction, its propriety will not be questioned by the Exchequer and Audit Department.

The Comptroller and Auditor-General will not formally consider questions of procedure in advance of the procedure being adopted. He may call attention to cases in which procedure defined by statute or precedent has not been followed, or in which the procedure has been inadequate, but, until failure to observe procedure has occurred, he will not normally comment upon it, nor will he suggest methods of improving procedure, or efficiency, or approve planned procedures in anticipation of their adoption. In these matters, it is argued, he would be embarrassed in his subsequent capacity as critic if he had already approved the procedure in the abstract.

Commercial Audit

It is felt that enough has been said to show that the audit of the Exchequer and Audit Department and its manner of reporting is related to accounts which bear little or no resemblance to the accounts of trading organizations. The accounts of departments require an accounting machine which, by normal commercial standards, would be cumbrous and over-detailed in the extreme.

Turning, therefore, to the methods of com-

mercial audit, it must be recognized that these also lack machinery for dealing with certain of the peculiarities of corporations, which, whilst trading, have no defined body of proprietors or persons to whom the corporation is responsible.

In general, the auditors of a company are required to carry out such an examination of the accounts submitted to proprietors as would enable them to report to the proprietors that the balance sheet and revenue account give a true and fair view respectively of the position of the affairs of the concern at the end of, and of its trading results for, the period covered by the accounts. These requirements are, largely, observed in the case of trading concerns other than companies and must, in some form or other, show the trading results for the period. Such aggregate trading results will form the criterion by which the proprietors will tend to judge the efficiency of the executive and other officials and officers who have managed the concern for the period under review. Enquiry into the possibility that one transaction may have involved a loss will almost certainly be still-born if the remaining ninety-nine transactions have produced a profit sufficient in the aggregate to absorb the loss and leave an adequate net return. Certain specified items of expenditure, such as directors' remuneration, depreciation, taxation and, in some cases, auditors' fees, are required to be separately stated. Movements upon reserves and provisions are in most cases required to be disclosed. Bases of valuation of assets must be noted and other information enabling proprietors to satisfy themselves that, within those limits, nothing is concealed in the accounts which ought to be disclosed. There is, however, no information normally published which would enable a proprietor to question the management upon the outcome of individual transactions. For practical purposes, such enquiry would be of little value, as it is inevitable that, in large businesses, mistakes and errors of judgment will occur and it is of no real value to condemn management on account of error if, in the aggregate, results are satisfactory.

Public Corporations and an Official Audit

Public corporations, however, are not answerable to a body of proprietors sufficiently well defined to enforce responsibility. Parliament is accustomed to directing its questions to individual transactions, whether the questions are raised on the floor of the House or in the Committee of Public Accounts. As regards the corporations, neither their accounts, nor the auditors' reports, lend themselves to enquiries of this kind and it is for consideration whether such enquiries, with the consequent load of recording and slowing up of decision, could be justified in a trading organization.

Tests of Efficiency

The criterion of profitability is in great measure destroyed when once the organization is invested with monopoly powers and can pass all its costs, as well as the outcome of its mistakes, in the form of increased charges, to those making use of its services. Procedures for regulating the powers of corporations in this behalf are contained in many of their incorporating statutes, but, so long as the effective test for the approval of increases in charges is proof that costs have increased, those procedures do not and will not alter the fact that increased costs can and will be passed on. A competitive trading concern is, inevitably, forced to consider, as well as its costs, the price the user will pay. A monopoly is under no such compulsion. Yardsticks based upon competitive costs at different times can be most misleading in that the value of money may itself have changed. Even so, changes in public taste and in habits, for example, diversion of traffics from rail to road or vice versa might very well result in marked variation up in the case of the loser of traffics and down in the case of the gainer of traffics, which bore no direct implication as to the efficiency of the concern or the adequacy with which it had discharged its duties.

Prevention of Fraud

Passing note should be made, also, of relative merits of either the Exchequer, or professional, audit, as regards the detection and prevention of fraud, or other malpractice, of subordinates, as distinct from misrepresentation in published accounts. On the whole it is felt that both audits will tend to prevent subordinates' frauds, if only as a moral deterrent. From this angle there is little to choose between the types of audit, although the greater breadth and scope of the professional audit results, probably, in its greater efficiency as a detector of fraud and misconduct. So far as concerns misrepresentation in published accounts, experience of the effects of professional audit is substantial, whilst there is little or no evidence that the Exchequer audit has been in any way concerned therewith.

To sum up the position, an audit directed to proof of authority and sanction for past transactions, which does not question issues of policy and is essentially *ex post facto* and not preventive is of little value to a trading concern. Similarly an audit which is designed to provide proprietors

with some assurance that the accounts rendered to them are factually correct, lacks an important, if not essential, complement, if the factually correct accounts are not so collated as to provide a fairly simple criterion of the efficiency with which the concern has been managed. Further, the larger the concern and the larger the number of its proprietors, the more remote does management become and the more immune from effective question.

It is not possible in the scope of a short article to consider the relative merits of the Select Committee of Public Accounts and a meeting of shareholders as effective parts in a machine designed to scrutinize critically the operations of executive organizations. Experience of the latter is fairly widespread and a study of the reports of the Select Committee is not unilluminating. It is perhaps sufficient to say that neither has shown itself as in any way ideal for the purpose of ensuring that the organization is efficient. In the one case, it is sufficient that a profit has been shown, however it has been earned – the apathy of shareholders is, in fact, a byword. In the other case it is sufficient if the party in opposition is able to get a few sharp thorns into the side of the party responsible for the administration, whatever be the merits of the organization as such – the explosion of political fireworks with much noise and little action is, if not so notorious as the apathy of shareholders, at least as real a factor.

Need for New Methods of Control

It is thought that consideration must be given to the evolution of a form of audit carried on in close and continuous contact with the concern related to its operations and records, not only to the results of what has been done, but also to proposals for the future, as well as enquiry into questions of policy and with means of calling attention thereto. Strict examination of all questions relating to the propriety of taking credits or charge for receipts or expenditure in the accounts of a period would go some way to ensure that the concealment of ill-advised transactions was made difficult, especially if they were of sufficient moment to be significant. On balance, as matters now stand, it is submitted that an audit of the commercial type is more likely to be suitable to trading organizations, provided that an efficient body exists to scrutinize the accounts, to criticize management and that the accounts themselves are drawn in sufficient detail for the purpose. The application of statutory methods of audit as provided for government departments would not, in the circumstances, be suitable and the method of report and examination by the Committee of Public Accounts would be unlikely to be of value.

WEEKLY NOTES

The Irish Institute

At the sixty-third annual general meeting of The Institute of Chartered Accountants in Ireland, held in Dublin last Saturday, Mr H. E. A. Addy, F.C.A., F.S.A.A., senior partner in the firm of Muir & Addy, chartered accountants, of Belfast, was elected President for the ensuing session, and Mr Patrick Butler, F.C.A., senior partner in the firm of Butler, Chance & Co, chartered accountants, of Dublin, and a partner in the firm of Banner, Mounsey, Butler & Chance, of Dublin, Liverpool and London, was elected Vice-President.

After the meeting, the retiring President, Mr P. J. Purtill, F.C.A., entertained members of the Council, members of the Committees of the Belfast and Dublin Societies, Institute office holders, and Mr Edward Fitzgerald, the Institute's Law Agent, to an informal luncheon at the Shelbourne Hotel, when the new President and Vice-President were warmly welcomed. Loud applause greeted the several speakers who paid enthusiastic tributes to Mr Purtill on the successful completion of his two years of office.

Commodity Prices Ease

A slight easing in the prices of certain commodities was commented upon in these notes some weeks ago. The decline has gone on since. Moody's index of United States commodities shows a continued slight downward movement and the *Financial Times* index of United Kingdom commodities also continues to move down.

These slight changes (they are of the order of only a few per cent as yet) are well behind the change in some of the notable world market 'leaders'. Wool prices were weaker at the Melbourne sales last week and, since the peak levels reached in March, prices have fallen off by as much as 30 per cent. Rubber and tin prices have receded in recent weeks almost as much as wool, with declines of the order of 25 per cent.

A complex of cross-currents is responsible for this behaviour, in which rumours about less stockpiling of key commodities in America and efforts to ration internationally the supply of certain scarce commodities have played an important part. It is too soon to say that the peak level of world prices is definitely past, but evidence is accumulating that many commodities are in a position when a slight adjustment or abstention of buying could bring prices really tumbling. Once that started, there would be a welcome easing of pressure from outside prices on the economies of those countries, like ours which are always

large buyers in the world markets, irrespective of strategic stockpiling.

The Case of Publishing

Of all the industries which are scanning the horizon for a stop to the rise in the prices of raw materials, none do so more anxiously than the publishing trade – both books and periodicals. The continued advance in the price of newsprint (it is now some £60 a ton compared with £10 pre-war) has received most of the publicity, but the prices of other grades of paper which are widely used in the periodical and book trades have been hardly less of a preoccupation to their users.

On the side of newspapers and periodicals, several newspaper publishers have announced that the price of their papers will go up during this month. Weekly magazines have in several cases announced that their prices will not go up at present – with the clear implication that the matter is under constant and urgent consideration. At a time when circulations are difficult to hold and advertisers are sensitive, through shortage of goods, to accede to increases in advertising rates, many papers and magazines are in an awkward dilemma.

Even worse is the position of the book publisher. The larger firms with a long history can ride out the high price of paper on their back-lists and keep new publishing to the minimum. But younger firms are forced to go on issuing new books in order to live – and that at a time when the public is sensitive to the high price of books.

Rayon Production

Recent discussion about the shortage of sulphur and sulphuric acid has drawn attention to the effects which the rationing scheme may have on rayon production. Since rayon is not an essential user of the chemical in a time of rearmament it has to take some of the brunt of the reduction of supplies. There are already indications that rayon production is feeling the impact of a shortage from this source. For a time the industry was able to draw upon stocks, but it is probable that these have now been reduced to minimum working levels.

Such a state of affairs could be read into the latest production figures which are now available for March. Total rayon output for that month was 28·7 million pounds – slightly more than for February. The quarterly average for 1951, first quarter only, was 29·7 million pounds. This level compares with an average of 32·8 million pounds in the last quarter of 1950.

These figures represent the first set-back to what has been a phenomenal expansion of production since the war. In 1930, the monthly average output was 3·3 million; in 1946 it was 14·9 million; last year it was 31 million. The speculative, mis-named, 'artificial silk' industry of the 'twenties has now become the firmly established rayon industry of post-war years. Indeed, for the world as a whole the output of rayon exceeds that of spun cotton.

Cuts of 20 per cent and the like in the supply of a key raw material for this industry are therefore a serious set-back to the fortunes of a major industry, a set-back which will work itself out on the supply of goods available to the consumer in no uncertain way.

Revaluing the Pound

An influential body of opinion is now arguing for a revaluation of the pound. The reasons advanced for it are sound enough as far as they go. The only way, so runs the argument, to close the widening gap in this country's balance of payments and to stop the development of inflation is to increase the value of the pound in terms of other currencies. In this way, export prices would be raised and a halt would be called to the severe pressure now being exercised upon this country's cost structure by high world commodity prices.

The issues are, however, a good deal more complex than this. The argument about increasing our dollar income in this way depends on how far the American market will absorb British goods at higher prices. This is in itself a difficult matter to assess. There is doubtless a range of British goods which will sell in the United States at higher prices than are now being asked. But how far will demand in some lines, in certain consumer goods for instance, be transferred into other imported lines, say from the Continent? It has to be borne in mind that some of our European competitors in the American market have already offered severe competition although they did not reduce their prices in America so far as the British did when several European currencies followed the pound in September 1949.

There is also the question of the policy of the Dominions if the pound were revalued. On all precedents, they would immediately follow suit and if they did, several important world commodities would cost just as much in pounds as they did before. And what would South Africa have to say about a lower sterling price for gold at a time when the whole of its propaganda in this direction is based on obtaining a higher price for gold?

How would the sterling area's very large exports of raw materials to the dollar area be affected? Would the United States go on stockpiling at higher prices? It was found to be sensitive about the price of tin. Suppose American demand eased slightly, and no more than that, what would be the effect on the world price? As is mentioned above in another note, the world markets might be very sensitive to a minor adjustment in American buying in the next few months.

There are indeed faint signs that the inflation problem for this country might be answered in the next six months by lower world prices without recourse to revaluation. If that were so, the only important argument left in its favour under present circumstances would be the probability of higher dollar earnings for British goods. There are several weighty arguments against it.

FINANCE AND COMMERCE

There are signs of a halt to the equity rise which has characterized stock markets since the Budget. For the present the rise may have gone far enough but the movement may be continued once positions have been adjusted.

New Insurance Accounts

We begin this week the reproduction of the accounts of The Northern Assurance Co Ltd which (says the covering note) show a 'striking departure from normal practice, both in layout and in the new and simplified method of presenting accounts.' Owing to their length, it will be necessary, as was the case with the Prudential accounts, to make it a reprint by instalments.

As an introduction, we take from 'Some facts about the company', the fact that the company began life in 1836 as a result of a prospectus issued in Aberdeen. No less than 698 persons subscribed to the deed of co-partnery on the basis of unlimited personal liability. Twelve years later, the company was incorporated by special Act of Parliament. Limited liability was obtained by registration under the Companies Act in 1908. Its 401,661 ordinary shares of £10, £1 paid, are now owned by 6,625 individuals and 350 corporations and the astonishing fact is that 55 per cent of the holdings are in the 11 to 50 shares group. Current market price, it may be noted, is in the region of £24 per share. First year income was £3,072. The 1950 figure was £19,065,105.

By the very nature of the business, insurance accounts are a study in themselves. The Northern tells its story in the modern style.

Accounting for Management

Tube Investments Ltd has just issued its Training Booklet No. 4 with the title of *Accounting for Management*. It has been written primarily for distribution to the company's works supervisors and is intended as an introduction to costing and cost control.

Supervisors are reminded that the time is long past when they could do their job efficiently guided only by rule of thumb and past experience. Nowadays many specialists provide services to help the supervisor to an exact knowledge of what to do and why. One of these is the cost accountant and supervisors are advised both to help him and use him. To do so, they must understand what he is trying to do.

We mention this booklet for two reasons: one, that it may prove to be an interesting introduction to the subject for the beginners; the other, that business executives may like to see what one of the big industrial undertakings has done to further co-operation between works and office, itself one of the biggest problems of the time.

Because, in fact, 'there are few simplified analyses of this complicated subject', the booklet has been offered by Tube Investments for wider publication. Permission has been given to the British Association for Commercial and Industrial Education, of Management House, Hill Street, London, W1, to publish a special edition to be sold in aid of their funds.

Shareholder Complains

Mr G. R. Hall Caine, chairman of Ciro Pearls (Holdings) Ltd, seemed rather annoyed, in his speech at the annual meeting (as it was published in the Press) with a shareholder who was prompted to write to the *Financial Times* by an increase in the consolidated directors' emoluments from £17,710 to £23,223. It is a pity, he said, that the shareholder criticized 'without having even a rudimentary knowledge of the facts.' Mr Hall Caine proceeded to give the facts.

The first was that 'not one single director, either of the holding company or any of its subsidiaries, received an increase in fees or salary during the period covered by the present accounts.' Mr Hall Caine explained that the increase shown in the consolidated profit and loss account resulted from the remuneration of the American directorate, paid in dollars, being converted at $2.80 instead of $4.04 to the £. Beyond this, the auditors decided to include for the first time under directors' emoluments, premiums on an insurance scheme operating both here and in America, previously brought in under a different heading.

Our sympathy is with the shareholder. Maybe he was a bit impetuous; he might have written to the company instead of the Press. But in issuing accounts containing such an important change without explanation, can it be said that the company considered the shareholders?

A Shilling Out

Section 113 of the Companies Act gives to members the right to inspect the register of members without payment of fee; non-shareholders pay a shilling. We thank the reader who nudged our memory on this seemingly simple point because we should hate to think that our story of the table that was not provided in the Act had created a wrong impression.

For the facts of the case, we relied on an eye – and ear – witness. The story was from life. It may have been that the shareholder, unaware of his exact legal position, did not disclose his status as such and in consequence was charged the fee. Maybe he preferred to cloak his identity.

Money Market

Treasury bill applications totalled £364,845,000 on May 4th and, at the lower bid of £99 17*s* 4*d*, only 15 per cent of requirements was obtained. The average rate was 10*s* 4·52*d* per cent. This week's offer is £250,000,000. There is a Treasury deposit receipt call for £25,000,000.

CONSOLIDATED REVENUE ACCOUNTS OF THE NORTHERN ASSURANCE COMPANY LIMITED AND ITS SUBSIDIARIES

for the Year ended December 31st, 1950

SHORT TERM BUSINESS

Fire Account

	1950 £	1949 £
Fund at the beginning of the year:		
Provision for unexpired risks	3,165,946	2.390,457
Premiums, less reinsurances	6,728,668	*5,521,891*
Transferred from profit and loss account:		
Estimated additional liability due to exchange adjustments during the year		*682,000*
	£9,894,614	*£8,594,348*

	1950 £	1949 £
Claims paid and outstanding	2,973,450	*2,364,324*
Commission	1,452,290	*1,128,799*
Contributions to fire brigades	30,052	*23,007*
General expenses	1,237,735	*1,023,655*
Transferred to profit and loss account	836,753	*888,617*
Fund at the end of the year:		
Provision for unexpired risks, 50 per cent of premiums	3,364,334	*2,760,946*
Exchange adjustment thereon		*405,000*
	£9,894,614	*£8,594,348*

Accident Account

	1950 £	1949 £
Fund at the beginning of the year:		
Provision for unexpired risks	2,190,623	*1,855,189*
Premiums, less reinsurances	5,117,545	*4,257,245*
Transferred from profit and loss account:		
Estimated additional liability due to exchange adjustments during the year		*127,000*
	£7,308,168	*£6,239,434*

	1950 £	1949 £
Claims paid and outstanding	2,658,226	*2,185,971*
Commission	915,882	*736,227*
General expenses	1,146,570	*978,639*
Transferred to profit and loss account	28,718	*147,974*
Fund at the end of the year:		
Provision for unexpired risks, 50 per cent of premiums	2,558,772	*2,128,623*
Exchange adjustment thereon		*62,000*
	£7,308,168	*£6,239,434*

Marine Account

	1950 £	1949 £
Fund at the beginning of the year	5,434,613	*4,243,010*
Premiums, less reinsurances, returns, brokerage and commission	3,901,419	*3,313,746*
Transferred from profit and loss account:		
Estimated additional liability due to exchange adjustments during the year		*480,000*
	£9,336,032	*£8,036,756*

	1950 £	1949 £
Claims paid, less salvages, refunds and reinsurance recoveries:		
Current year's account	666,055	*612,387*
Previous years' accounts	1,906,669	*1,627,895*
General expenses	275,027	*198,716*
Transferred to profit and loss account in respect of previous years	448,017	*163,145*
Fund at the end of the year	6,040,264	*5,434,613*
	£9,336,032	*£8,036,756*

LONG TERM BUSINESS

Participation Life Account – Northern

		1950 £	1949 £
Fund at the beginning of the year		7,182,263	*7,025,808*
Premiums		602,545	*569,802*
Investment income	£322,096		
Less Income-tax	85,941		
		236,155	*240,056*
		£8,020,963	*£7,835,666*

	1950 £	1949 £
Claims paid and outstanding:		
By death	187,068	*175,737*
By maturity	353,760	*364,917*
Surrenders	60,515	*37,963*
Commission	30,778	*25,681*
General expenses	52,347	*49,105*
Fund at the end of the year	7,336,495	*7,182,263*
	£8,020,963	*£7,835,666*

Non-Participation Life Account – Northern

		1950 £	1949 £
Fund at the beginning of the year		3,220,978	*3,009,021*
Premiums		449,004	*372,227*
Investment income	£139,636		
Less Income-tax	33,883		
		105,753	*99,648*
		£3,775,735	*£3,480,896*

	1950 £	1949 £
Claims paid and outstanding:		
By death	67,173	*90,493*
By maturity	104,990	*91,263*
Surrenders	49,694	*22,827*
Commission	35,541	*23,262*
General expenses	38,042	*32,073*
Transferred to shareholders' life profits reserve	110,000	—
Fund at the end of the year	3,370,295	3,220,978
	£3,775,735	*£3,480,896*

Annuity Account – Northern

		1950 £	1949 £
Fund at the beginning of the year		1,430,720	*1,302,434*
Consideration for annuities granted		194,269	*198,833*
Investment income	£63,971		
Less Income-tax	29,234		
		34,737	*33,333*
		£1,659,726	*£1,534,600*

	1950 £	1949 £
Annuities (less income-tax) paid and outstanding	49,522	*46,604*
Surrenders	16,358	*16,431*
Commission	2,369	*1,419*
General expenses	3,434	*3,426*
Income-tax on profits, including adjustments of previous years	2,500	*36,000*
Fund at the end of the year	1,585,543	*1,430,720*
	£1,659,726	*£1,534,600*

Life Account – London and Scottish (Including Scottish Metropolitan)

		1950	1949		1950	1949
		£	£		£	£
Fund at the beginning of the year		5,964,137	5,811,482	Claims paid and outstanding:		
Premiums		485,715	460,922	By death	181,784	185,759
Consideration for annuities granted		93,114	71,089	By maturity	229,957	196,184
Investment income	£247,758			Surrenders	69,001	66,564
Less Income-tax	54,450			Annuity surrenders	13,562	22,778
		193,308	186,855	Annuities	26,673	24,580
Assignment fees		81	74	Commission	26,069	22,451
				General expenses	47,831	47,969
				Fund at the end of the year	6,141,478	5,964,137
		£6,736,355	£6,530,422		£6,736,355	£6,530,422

Capital Redemption Account

		1950	1949		1950	1949
		£	£		£	£
Fund at the beginning of the year		806,961	795,718	Claims paid and outstanding	32,414	8,266
Premiums		45,327	60,631	Surrenders	8,336	18,440
Investment income	£28,993			Annuities (less income-tax)	43,869	40,312
Less Income-tax	13,273			Commission	920	554
		15,720	16,153	General expenses	1,474	1,628
Income-tax recovery		—	3,659	Transferred to shareholders' capital redemption profits reserve	10,000	—
				Fund at the end of the year	770,995	806,961
		£868,008	£876,161		£868,008	£876,161

SUMMARY OF FUNDS

Short Term Business	1950	1949	Long Term Business	1950	1949
	£	£		£	£
Fire	3,364,334	3,165,946	Participation Life: Northern	7,336,495	7,182,263
Accident	2,558,772	2,190,623	Non-Participation Life: Northern	3,370,295	3,220,978
Marine	6,040,264	5,434,613	Annuity: Northern	1,585,543	1,430,720
			Life: London and Scottish	6,141,478	5,964,137
			Capital redemption	770,995	806,961
As shown in consolidated balance sheet	£11,963,370	£10,791,182	As shown in consolidated balance sheet	£19,204,806	£18,605,059

Staff Pension Reserve Account

		1950	1949		1950	1949
		£	£		£	£
Balance at the beginning of the year		759,408	743,534	Payments to retired officers	32,807	63,897
Investment income	£13,154			*Balance at the end of the year*		759,408
Less Income-tax	5,466			Transferred to staff pension fund at July 1st, 1950	766,789	—
		7,688	14,771			
Transferred from profit and loss account		32,500	65,000			
		£799,596	£823,305		£799,596	£823,305

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

'The Use of Published Accounts'

SIR, – I should like to comment on two points in Mr Lawson's excellent lecture on 'The use of published accounts' which was published in your issue of April 21st, 1951.

He suggests that if taxes were computed by reference to the economic profits, a great additional burden would be thrown on other sections of the community or higher rates of taxes would be necessary – surely this would be a good thing because it would then bring home to everyone concerned that the present levels of taxation are completely beyond the capacity of the country.

Then Mr Lawson goes on to ask why one of the sections of the community, namely the investor, should be protected against the effect of inflation – I suggest that it is not a question of protecting the investor but of protecting industry, and what can be a better object for protection than the industries of this country upon which our well-being depends?

Yours faithfully,

London, N21. CHAS. W. ASTON.

Directors' Remuneration: Notice of Annual Meeting

SIR, – Clause 50 of Table A provides that notices of an annual general meeting shall specify the general nature of any special business to be transacted. Clause 52 provides that all business that is transacted at an annual general meeting shall be deemed 'special', with the exception of declaring a dividend, consideration of accounts, balance sheet and reports of the directors and auditors, the election of directors in place of those retiring and of the appointment and

fixing the remuneration of the auditors. Clause 76 provides, amongst other things, that remuneration of the directors shall, from time to time, be determined by the company in general meeting.

It seems clear from the above that in cases where the clauses named are operative, the fixing of directors' remuneration is not within the exceptions named and therefore is special business, and is required to be referred to in a notice of an annual general meeting.

Many notices of annual general meetings issued by public companies refer to declaring a dividend, considering accounts, electing directors, fixing auditors' fees and transacting the ordinary business of the company, but they do not refer to the fixing of directors' remuneration. It would be interesting to know why this should be.

Any comments which readers might make would be appreciated.

Yours faithfully,
CASTLE.

Accountant an Alternate Director: Can he Act as Auditor?

SIR, – In reply to 'Chartered Accountants'' question in your issue of April 7th, under the above heading, there can I think be no doubt that a director of a company is an 'officer', whether he attends board meetings or not. There appears to be nothing in the Companies Act, 1948, to suggest that an alternate director is not a 'director', properly so called; indeed, the contrary would appear to be the case, for Section 455 of the Act provides that the expression 'director' includes any person occupying the position of a director by whatever name called. It follows, I submit, that the fact that the accountant mentioned by your correspondent has not been called upon to act as alternate director does not operate to remove his disqualification from acting as auditor. If however the company happens to be an exempt private company it might well be possible to take advantage of the proviso to Section 161 (2) of the Act.

Yours truly,
London, NW8. JOHN W. BANKES.

Distribution to Shareholders made out of Tax Reserve Certificate Interest

SIR, – With reference to the recent letter on this point (issue dated April 21st), I am afraid that no progress can be made unless a taxpayer is prepared to go to the Court. I took a case in front of the Special Commissioners a year or two ago in which my arguments obviously impressed the Commissioners to some extent as they retired to consider their verdict. On their return, however, they informed me that a case had already been decided by the Special Commissioners in favour of the Crown and I was turned down.

It would be interesting to hear from those who took the earlier appeal but that would not take us any further. The position today is that payment out of tax reserve certificate interest has to be treated as a net sum and the gross equivalent included in income for sur-tax purposes.

Yours faithfully,
London, EC2. H. A. R. J. WILSON.

'Loss of Profits Insurance'

SIR, – I have read with much interest the excellent article by Mr Ernest A. Such appearing under the above title in your issues of February 17th and 24th. I note in his example of 'How to arrive at sum to be insured' that the charges are divided between those which are fixed and those which vary with the turnover. In my own limited experience I have always taken into account a third class, namely, those which, in the event of a fire would decrease although not in proportion to the turnover – the 'fixed' element of each such charge being estimated – assuming total loss of building, equipment, etc. Admittedly this results in some arbitrary amounts for individual items, but taking the charges as a whole, a figure is obtained which is probably nearer the risk to be covered than that given in the example. Applying this method to the example, rates would be covered for £3,000 instead of £5,000; light, heat and power for £5,000 instead of £10,000 and so on, this would result in a saving of premium on £16,000 and the sum to be received would still be £199,500. In other words 'saving in insured standing charges £8,000' appears to be nothing more nor less than over-insurance which would not be recovered under the rebate clause of the policy for it would never be ascertained until a fire actually occurred. The large amounts that may be involved and the expensive rate of this insurance makes this alternative method one for serious consideration.

One remaining point I would challenge in the hope of obtaining further guidance – the policy under which I am working states the proportion payable under memo 2 as

> '. . . provided that if the *sum insured* on gross profit shall be less than the net profit and all standing charges (insured or otherwise) . . . the amount payable in respect of increase in cost of working shall be proportionately reduced'.

Applying this to the example given the fraction would be $\frac{£50,000}{£56,990}$.

Yours faithfully,
For W. & J. LEIGH LTD,
Bolton. C. COUPS, *Secretary.*

[Mr Ernest A. Such writes: The point raised by your correspondent is an interesting one and whilst it is quite true that, provided the insured guess correctly regarding the behaviour of certain standing charges following a fire, they will not be prejudiced in any loss settlement, there is always the possibility of a certain charge not reducing as anticipated. It is a simple matter to ascertain the extent to which a particular charge has proved itself to be a standing charge *after* the event, but the real difficulty lies in deciding beforehand the possible extent of the

damage and the effect the damage will have on the behaviour of certain charges.

The fire might damage a vital machine and hold up production for several weeks, yet all the standing charges might continue to be payable in full. In these circumstances, the insured will obviously be under-indemnified for their actual loss if they have insured only a proportion of their standing charges. For this reason, the safest course is always to insure standing charges in full if there is any possibility of the particular charge continuing in the slightest degree.

It is appreciated that this may mean insuring on a very generous basis and that, in the event of a major loss certain savings in insured standing charges will accrue to the insurers, but the rating system of profits insurance is based on this possibility. If profits insurers were to be deprived of this salvage, the scale of rating would necessarily have to be increased.

Regarding his second point, your correspondent has quoted a clause used in an obsolete form of policy. In the modern recommended wording, Memo 2 reads:

'If any standing charges of the business be not insured by this policy, then in computing the amount recoverable hereunder as increase in cost of working that proportion only of the additional expenditure shall be brought into account which the sum of the net profit and the insured standing charges bears to the sum of the net profit and all the standing charges.'

Average is then applied to the whole policy in the following manner,

'provided that if the sum insured by this item be less than the sum produced by applying the rate of gross profit to the annual turnover, the amount payable shall be proportionately reduced'.

In the case under discussion, we have therefore:

$$\frac{\text{Net profit and insured standing charges £55,440}}{\text{Net profit and all standing charges £56,990}} \times \text{£6,500} \times \frac{\text{Sum insured £50,000}}{\text{Net profit and insured standing charges £55,440}^{1}}$$

which produces the same result as that quoted by your correspondent, namely, $\frac{\text{£50,000}}{\text{£56,990}}$

[1] i.e. the rate of gross profit (28 per cent) applied to the annual turnover (£198,000).

TAXATION CASES

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in *The Annotated Tax Cases.*

In re Lander

In the High Court of Justice (Chancery Division)
February 22nd, 1951
(Before Mr Justice Roxburgh)

Estate duty – Option to purchase property at specified price – Property worth more than that price – Incidence of duty on excess value – Finance Act, 1894, *Section* 6 (1) – *Law of Property Act,* 1925, *Section* 16 – *Administration of Estates Act,* 1925, *Section* 36.

The testator directed that his nephew should be entitled to purchase certain freehold property for £14,000 on giving written notice to the personal representatives within two months from the date of his death; the purchase was to be completed within six months from the expiration of the two months. The nephew duly served a written notice exercising his option to purchase, and the freeholds were conveyed to him for £14,000. For estate duty purposes the freehold property was agreed to be worth £21,645.

The summons was taken out to determine whether the estate duty payable in respect of the properties was apportionable between the testator's residuary estate and the nephew in the proportion which £14,000 bears to the £21,645, or in some other proportion; or whether the whole of the estate duty had to be borne by the residue.

Held, that the nephew was entitled under the will to a beneficial interest in the property of the value of £7,645 (£21,645 less £14,000); that the estate duty in respect of that interest was a charge on the interest itself; and that there was nothing in the will, or in the fact that the nephew had purchased the property, to alter his liability to pay the duty on the interest he took in the property; and that, therefore, the nephew was liable to pay 7,645/21,645ths of the duty on the freehold property.

Sharp's Trustees *v.* Lord Advocate

In the Court of Session (Inner House)
March 28th, 1951
(Before The Lord Justice Clerk (Lord Thomson), Lord Mackay, Lord Jamieson and Lord Patrick)

Estate duty – Aggregation – Life assurance policy effected in favour of wife – Destination over to husband's executors or assignees – Whether husband had interest in policy – Married Women's Policies of Assurance (Scotland) Act, 1880, *Section* 2 – *Finance Act,* 1894, *Sections* 1, 2 (1) (*c*), 2 (1) (*d*), 4.

The deceased effected two policies on his own life, each policy being endorsed that it was effected under the Married Women's Policies of Assurance (Scotland) Act, 1880, in favour of the deceased's wife, 'whom failing the executor or assignees whomsoever' of the deceased. The deceased was survived by his wife.

The Inland Revenue laid a charge to estate duty on the footing that the policy moneys had to be aggregated with the remainder of the deceased's estate, in that the case was not one where the deceased 'never had an interest' in the policy moneys, within the meaning of the proviso to Section 4 of the Finance Act, 1894. The Inland Revenue contended that the provision in the policy to the effect that the benefit of the policy was to pass to the husband's executor or assigns, if his wife predeceased him, conferred upon him an interest in the policy.

Held (Lord Mackay dissenting), that this contention was correct.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SEVENTIETH ANNUAL MEETING

The seventieth annual meeting of The Institute of Chartered Accountants in England and Wales was held on Wednesday, May 2nd, 1951, at the Chartered Insurance Institute, 20 Aldermanbury, London, Mr H. Garton Ash, O.B.E., M.C., F.C.A., the President, being in the chair.

THE PRESIDENT said: Ladies and gentlemen, may I assume that you will wish to take the notice convening the meeting and the auditors' report as read? (Agreed.)

Before I address you, I think you may like to know whom I have with me on the platform today. On my left is Mr Charles Boyce, the Vice-President; on my right is Mr MacIver, the Secretary. On my right again there is Mr George Freeman, our senior Past-President, Sir Harold Barton, Mr Gilbert Shepherd and Sir Russell Kettle. On my left there are Sir Nicholas Waterhouse, Sir Harold Howitt and Mr Binder, Mr Wilkinson, one of the Assistant Secretaries, and Mr Harvey, our Accountant, while on the extreme right is Mr Loveday, the other Assistant Secretary.

The President then delivered the following address:

PRESIDENTIAL ADDRESS

The annual report for 1950[1] which I present for your consideration is the seventieth of a long series of reports. Since the grant of the Royal Charter in 1880 there has been a great advance in the activities of the Institute and the past year – like all the post-war years – has been remarkable for the wide variety of matters which have received attention. It is not my intention, nor I am sure would it be your wish, that I should refer in detail to the report, but rather confine my remarks to those matters which call for more particular comment.

The report records the loss the Institute sustained by the death of Mr William Cash, a past-president and a member of the Council for some thirty-four years, during which period he made an important contribution to the work of the Institute and the building up of its traditions. It also records that by the death of Mr Edward Hart we have lost the last link with those who became members on the granting of our Royal Charter.

The Year 1950

You will have noted the further progress which has been made during the year and that the total membership on January 1st, 1951, was 15,260, being an increase of 628. Of this membership, 6,014 were in practice and of the remaining members a large number are in the employ of those in practice.

The total number of candidates at the Intermediate and Final examinations reached the new record of 4,386, an increase of 435 over 1949, mainly at the Final examination. In 1949 there was an appreciable decline in the number of articles registered as compared with 1948 and it then seemed that the post-war inflow had begun to subside. But 1950 has shown a surprising recovery to 1,440 as compared with 1,305 in 1949. The total registrations of over 7,000 during the last five years have provided a much-needed source of potential new members to replenish the big gap caused by the war and to add further strength to our Institute. The magnitude of the figures also emphasizes the vital importance, to our Institute, of giving close attention to the training of articled clerks.

There has been no lessening in the activities of the Institute or of the demands made on the time of members of the Council and members of the Taxation and Research Committee. There have been 185 meetings of the Council and committees, including special and sub-committees, and the Taxation and Research Committee, with its special committees, has held a total of 71 meetings as compared with 57 in the previous year. Those of you who have had personal experience of committee work will, I am sure, appreciate the patience and painstaking work required to produce documents such as the notes on the Town and Country Planning Act or the memorandum for the Tucker Committee on the Taxation Treatment of Provisions for Retirement. Matters of this kind are not treated lightly; often there are differences of view to be reconciled and many long meetings with draft after draft may be necessary before an agreed document can be issued. Our machinery ensures that information and suggestions are sought from all districts and from members in both the two main branches of the profession. The final shaping of a Council document necessarily rests with a committee of the Council and much time is given up to this service; but you may not have realized that in the early stages, involving the regional committees, about 250 members may make their contribution.

Constitution of the Council

During the year three members of the Council, Mr Charles Fletcher, Mr Gibson Harris and Mr James Parsons decided, for various reasons, to retire from the Council. I am sure it will be your wish to endorse the Council's appreciation of the valuable services which they have rendered to the Institute.

These vacancies have been filled by the election to the Council of Mr T. A. Hamilton Baynes of Birmingham, Mr Kenneth A. E. Moore of London, and Mr T. A. Lacy Thompson of Newcastle upon Tyne.

You will have noticed that Mr Kenneth Moore and Mr Lacy Thompson are members not in practice and their election to the Council almost completes the carrying out of the proposals approved at the last annual meeting, when it was agreed that a 'pool' of up to five seats on the Council should normally be occupied by members not in practice. Only one more appointment is now needed to fill the 'pool'. The election of Mr Lacy Thompson raises to three the number of associates who are now members of the Council.

[1] Reproduced in *The Accountant* dated April 28th, 1951.

Hospitality

I would particularly draw your attention to paragraph 10 of the report, which deals with the entertainment of distinguished guests at functions at the Institute. The policy of entertaining distinguished guests at the Institute will, I am sure, receive the full approbation of members.

Until 1950 the President's annual dinner has been virtually the only social function at which distinguished guests have been present. Prior to that year this dinner had been a personal expense of the President and the already heavy cost has greatly increased in recent years. The Council has decided that under the changed conditions of the times it is no longer reasonable – if it ever were reasonable – for the President to bear this expense.

The Council considered it only right that the cost of all these functions should be paid out of Institute funds and stated in the accounts under the heading 'Hospitality'.

Examinations

Although the Council has been disturbed by the percentage of passes at the Intermediate and Final examinations, I must emphasize that entirely erroneous impressions appear to exist in spite of what has been said on previous occasions. As was explained last year by Sir Russell Kettle, the low percentage of passes at any particular examination is largely attributable to the number of candidates sitting for second, third or further attempts.

To help to remedy this position it was decided that, in those cases where the candidate is regarded as a bad failure in the examination as a whole, the failure notice should show the aggregate marks gained. The object of this is to assist these candidates and to guide their principals in advising their articled clerks on their future course of action.

The moderators consider that a 'bad failure' candidate has little chance of passing the examination at a subsequent attempt unless the bad failure can be attributed to exceptional circumstances such as illness, totally inadequate preparation or complete lack of effort.

The Council considers it most important that principals should see the failure notices which are issued to candidates so that they can advise them as to their future course of action. It would seem clear that in some cases it would be a waste of time for a candidate to sit and resit the examinations if there is little or no chance of passing and it is really in the candidate's best interests if he can be guided into reaching a decision to seek another occupation for which he may be more suited.

I am authorized by the chairman of the moderators to tell you that, whereas the total number of successful candidates was only 42 per cent of the total sitting in the November 1950 Final examination, 53 per cent of the candidates sitting for the first time were successful. Taking only those candidates who were making their first attempt and had not been exempted from the Intermediate examination, the percentage was as high as 64.

Articles of Clerkship

I have already referred to the increased number of articles of clerkship registered during the past year. It is interesting to note that in the majority of cases the articles show that no premium or a premium of only a nominal amount has been required. In a substantial proportion of cases where a premium has been paid, it is returnable over the period of the articles. In a large number of cases the articled clerk is paid a salary.

As indicated by the Council in its statement of August 1946, there are arguments both for and against the payment of premiums and the matter is one for agreement between the parties to the articles. It is, however, clear from the information I have just given that the profession is in no danger of losing potential members of ability and suitability merely because they do not have the means to pay a premium. This is in conformity with the Council's recommendation on the matter.

Education and Training for Membership

At the end of March last a notice was issued to all members drawing their attention to a report by the Council on EDUCATION AND TRAINING FOR MEMBERSHIP. This report had been prepared because of the recommendations of the Carr-Saunders Committee on Education for Commerce, which was published at the end of 1949 and has gravely disturbed the Council. A large number of copies of the Council's report have now been issued in response to applications from members. Moreover, the report has been distributed widely to bodies and persons concerned with education.

The Carr-Saunders committee applied the following definition of the word 'profession' in considering the scope of its enquiry:

> 'Any body of persons, using a common technique, however meagre in content and however little related to fundamental study who form an association one purpose of which is to test competence in the technique by means of examinations.'

Having applied that definition the committee was then able to express the scope of its enquiry, and it did so in these words:

> '. . . it includes education for wholesale and retail trade, for import and export trade, for transport and shipping, for general commerce, for the professions so-called, for the higher functions of management and administration, and for the more modest "handmaidens" of commerce, shorthand and typewriting.'

When the committee's report became available it was seen that the accountancy profession was singled out in one part of the report for special mention in relation to the committee's proposals. When, therefore, it became apparent that the Minister contemplated the implementation of some of the recommendations which might affect the Institute, the Council decided to publish its report on EDUCATION AND TRAINING FOR MEMBERSHIP, the contents of which I do not propose to go over in detail.

I do, however, feel obliged to stress three of the matters arising out of the Carr-Saunders report. The first one is the recommendation which would involve raising to at least eighteen years the age at which articles may be entered into. The Council has no desire to discourage young people from continuing their education to as late an age as they wish, but the Council takes the view that it would be unjust to close the door to persons between the ages of sixteen and eighteen.

The second matter is the proposal which would involve considerable interference with the Institute's examination system, by way of revision of syllabuses and the granting of exemptions based on the national certificates for commerce. There is probably no feature of a professional body with responsibilities such as those carried by the Institute which is likely to be more closely guarded than its examinations. It is the Council's duty to the present and future members of the Institute and to the public to resist interference with control of its own examination system, which is constantly under review.

The third matter is the alarming proposal for the adoption of the 'sandwich' principle during the articles whereby courses in technical and commercial colleges would be taken in the daytime concurrently with practical training. It would be difficult to visualize any proposal so remote from the realities of the profession or so prejudicial to the interests of articled clerks in acquiring the knowledge, experience and training which is so essential.

Students' Societies

I was very pleased to be able to visit several of the students' societies and in some cases to have informal meetings with the students. I was also glad to have the opportunity of visiting some of the residential courses and opening the new course in Durham. The wide areas covered by some of the students' societies render it difficult and in some cases impossible for the students in outlying districts to take more than occasional advantage of the full syllabus of lectures and discussions. It is here that the short-period residential course can, in my view, provide the essential help for these distant students. It enables them to enjoy that same contact with their fellow students as those in larger towns enjoy and similarly to take their place in the discussions which form such an important part of a student's training.

Whilst, naturally, the first consideration of all students is to obtain instruction to help them in passing their examinations, it is equally important from the point of view of their future activities that they should obtain a wide general knowledge of business affairs as a whole, and it is to this end that I consider the work of the students' societies and the residential courses should in the main be directed.

Members' Handbook

In October there was issued to all members a Members' Handbook which has brought together under one cover many important facts and particulars to which a member has frequently to have reference.

Although framed with a view to enabling each new member to have in a concise form the information he should know about the Institute, and the statements made by the Council, particularly on questions of professional conduct which may affect him in his daily duties as a member of the Institute, the Council decided to send a copy to every member. I believe it has been of considerable use as a handy book of reference.

Autumnal Meeting

You will have noted that the Council has accepted the invitation of the Bristol and West of England Society to hold the twentieth autumnal meeting at Torquay in October next. Those who attended the autumnal meetings at Brighton in 1947 and Harrogate in 1949 will no doubt be looking forward to attending this conference.

A preliminary notice has already been issued and the papers to be submitted should ensure interesting discussions, dealing as they will with the effects of taxation on industry and the individual and with the valuation of holdings in private limited companies.

Roll of Honour

The ceremony of dedication of the Roll of Honour of those members of the Institute and those articled clerks who lost their lives in the Second World War took place at St Michael's Church, Cornhill, on Wednesday, March 7th.

I am sure you will all be glad to know that we have received many expressions of appreciation of the manner in which this service was arranged and carried through. The Roll is on view in the Library, where it will be preserved in a special case and a different page shown each week.

National Service

Paragraphs 23 and 24 of the report set out the action taken by the Institute in connexion with the call-up of Z Reservists. Had this call-up only entailed some fourteen days' training in the year, no particular point would have arisen. When, however, it became evident from the statement made in the House of Commons on March 5th last by the Parliamentary Secretary to the Ministry of Labour and National Service that the members called for training had been screened by the Ministry and that they would be liable for immediate recall for active service in the event of an emergency, the position became entirely different. The matter was at once taken up with the Ministry and representatives of the professional bodies met the Ministry officials on April 19th.

Briefly, the outcome of the meeting is this: Class Z and similar reservists are being recalled because there are not yet sufficient post-1948 national service men to provide the services with the trained men they require. In screening Z reservists for fifteen days' training consideration has been given to certain categories of occupations and employments expected to be of vital importance in the *initial* stages of an emergency. Accountancy is not one of these categories. Prima facie, therefore, members who are recalled for fifteen days will be regarded as available for immediate recall in the event of an emergency.

There will, however, be arrangements for consideration to be given, at the time of an emergency, to applications in appropriate cases by individual reservists for postponement of recall because of exceptional domestic or business hardship; moreover, applications for deferment of recall, or for release, would be considered at the time of an emergency, on the merits of the importance of the work on which the reservist was engaged and in relation to the priorities at the time.

After the call-up of Z and equivalent reservists and the mobilization of the Territorial Army in an emergency, it is contemplated that call-up would then proceed by age groups and would be governed by a schedule of reserved occupations similar to that used at the beginning of the last war. A provisional schedule, which

includes items relating to accountants and their staffs, is in existence and will be discussed at the appropriate time with representatives of both sides of industry and the professional bodies concerned. In the light of the points put forward by the accountancy representatives (and later confirmed in writing) the entries relating to accountants in the provisional schedule of reserved occupations will be reconsidered by the Ministry.

As soon as possible the accountancy bodies will be given in confidence greater detail of the provisional plans for allocating men to the services in the event of an emergency; and at an appropriate time the arrangements will be discussed with the accountancy bodies.

Accountants and Economists

Recent annual reports have contained reference to the Joint Exploratory Committee which has for some time been studying differences between accountants and economists regarding major accounting concepts and the more important terms commonly used by both of them. As the annual report shows these discussions recently reached a stage when it was possible to submit a report. Whilst it has not been found possible to resolve all the points at issue, the committee's report sets out clearly the directions in which accounting practice differs from the views of economists and the reasons which underlie those differences. This document calls for careful study and will I hope lead to the removal of misunderstandings in regard to the terms used by accountants and by economists and the means by which they achieve their respective objectives. The report is not yet available but it is expected it will be published within the next few weeks by the Cambridge University Press.

Some of our basic principles – in particular that of depreciation based on historic costs – have for some time been under fire in these difficult days of rising price levels. The forthcoming report presents – I think for the first time – a considered statement which attempts to set fairly, side by side, the considerations which have caused accountants and economists to follow different paths.

Stock-in-trade

At annual meetings in recent years it has not been usual for the President to refer to specific matters arising in the daily course of our professional work. I hope I shall not set a precedent – or start a technical discussion today – by referring to one particular matter in which there seems to be considerable divergence of practice. I refer to the auditor's work in relation to stock-in-trade and work in progress. This item, as we all know, is of great importance in relation to the 'true and fair view' of the results and the state of affairs of a business.

Some auditors, relying possibly on some words of a Lord Justice of Appeal in a law suit many years ago, appear to take the view that they have little or no duty in relation to stock beyond obtaining a certificate from the management. Other auditors consider it necessary to make such tests and enquiries as will satisfy them that sound principles have been applied in order to arrive at a stock figure which is true and fair.

There was much valuable discussion on this subject at the Oxford summer course two years ago, when Mr Goult gave an address on 'Stock-in-trade and the auditor'. It was then evident that every advantage is to be gained by each practising member re-examining his audit procedure in regard to stock, in order to decide whether it satisfies the high standard expected of our profession today, or whether it could be extended without, of course, assuming responsibilities which we cannot be expected to bear and which properly rest on others.

I would recommend all members in practice, if they have not recently done so, to re-examine their procedure, and for this purpose I think Mr Goult's address, which dealt with the subject with great thoroughness and in a thought-provoking manner, will be found most useful. I have therefore arranged with the Council for a reprint of that address to be sent soon after this meeting to each member of the Institute.

Co-ordination

At the annual meeting last year, my predecessor, Sir Russell Kettle, explained the reasons for the decision of the Council to withdraw its support from the draft Public Accountants' Bill which had been approved by members of the Institute at a special meeting in June 1946. He stated that fresh proposals for a simpler form of legislation would receive the consideration of the Co-ordinating Committee and that he hoped that by means of such legislation the major objectives of the original proposals could be achieved, namely, the regulation of the profession of accountancy in the interests both of the public and of the profession itself, without the necessity for the elaborate machinery contemplated under the original draft Bill.

I regret to have to report that, although new draft Bills in various forms have received the very careful consideration of the Co-ordinating Committee during the last twelve months, it has not been possible to arrive at any draft which the Council feels that it could recommend to members as satisfying the Institute's minimum requirements. I refer to the protection which should be provided both to the public and to members against the activities of unqualified persons who may be engaged wholly or in part in accountancy work of all kinds and who advertise their services. In the opinion of the Council this arises from the impracticability of arriving at any satisfactory statutory definition of 'accountancy' which would be generally acceptable and from the fact that accountancy services which cannot be controlled are rendered by so many persons other than practising accountants themselves.

Accordingly, the Council has had to advise the Co-ordinating Committee that it has reluctantly reached the conclusion that no useful purpose would be served in continuing negotiations for the co-ordination of the profession on the lines of the draft Bills which have been under consideration. This conclusion was not reached in time for it to be included in the annual report which is before you. It will be included in the report for the current year which will be before next year's annual meeting of members.

The Co-ordinating Committee is continuing in being. The Council has suggested that the Committee shall, as a next step, explore the possibility of obtaining an amendment of Section 161 of the Companies Act, so as to extend the application of that section to all companies and, in addition, to strengthen the requirements of the Act in respect of the qualification of persons for appointment as auditors. The Council feels

that such an amendment of the Act would go some way towards achieving what I have referred to as the major objectives of the original proposals.

Taxation

The report of the Tucker Committee on Taxation of Trading Profits was published on April 6th and has already been the subject of considerable comment in the Press. To a large extent the report is not one on which direct action will be taken as it forms part of the wider subject now under consideration by the Royal Commission on the Taxation of Profits and Income.

It is, however, most satisfactory to know that the whole tenor of the report of the Tucker Committee is to bring profits as assessed for taxation into closer accord with profits ascertained on generally accepted accounting principles. It is disappointing to find that the committee has not felt able to go so far in some directions as was recommended by the Council in its memorandum, but the report does propose many changes which have been recommended by the Council, either in its memorandum or in earlier submissions to the Chancellor of the Exchequer.

Speaking personally, I find some trends in fiscal policy a little disturbing. For example, the initial allowances were to a large extent originally intended as an encouragement to post-war re-equipment and development. The Tucker Committee has in effect recommended that the initial allowance could be used as a means of at least partial solution of the problems created by rising costs of replacement of fixed assets. Then, four days after the publication of the Tucker Committee's report, the Chancellor announced the suspension of initial allowances as a means of discouraging capital expenditure in the interests of the defence programme. We seem, therefore, to have completed the circle and I think it is at least open to question whether the taxation machinery ought properly to be adapted to this extent as part of a system of economic planning.

You will find in the appendix to the annual report the memorandum which the Council has submitted to the second Tucker Committee dealing with the Taxation Treatment of Provisions for Retirement. This is a matter which vitally affects not only ourselves as professional men but also the owners of private businesses and directors of director-controlled companies.

The Institute's Taxation and Research Committee is now engaged in assisting the Council with the preparation of evidence for submission to the Royal Commission under the chairmanship of Lord Justice Cohen. The Council is pleased to know that one of its members, Mr W. S. Carrington, is a member of both the Tucker Committees and of the Royal Commission; although of course this has its disadvantage in that the Council is deprived of his invaluable assistance in preparing evidence.

The National Outlook

The Government's Economic Survey for 1951, the Millard Tucker Committee's Report on Taxation of Trading Profits and the Budget have followed each other in quick succession and the time available has not enabled a full study to be made of these important documents.

Nevertheless, it is clear that the impact of the rearmament for defence programme on the national economy is bound to affect adversely the lives of each one of us. As chartered accountants we have an insight into business undertakings of all kinds and have been aware for some time of the growing deterioration in the country's financial position.

Our economy will always be strained so long as there exists a threat of war, because so much of our energy and resources must be directed to the production of things which are destined for destruction instead of to the production of goods which provide the necessities and enjoyments of our daily lives. Nevertheless, the strain can be reduced provided every individual employer and employee does his or her utmost to achieve maximum production. It is bad enough to have to divert our attention to the production of war equipment, but unless those engaged on production of this equipment use their labour and resources in the most effective way it will only mean that more and more manpower will have to be diverted to that kind of work. It is therefore still true, as it has been throughout the post-war years, that our only real protection against adverse conditions is to be found in ensuring that every individual understands and appreciates the vital importance of doing a fair day's work for a fair day's pay. The standard of living – and indeed the social services themselves – depend for their maintenance and improvement not on any form of financial gymnastics, but on the amount of productive work that everyone is prepared to do. One has only to read the daily news to realize that a large number of the population still seems unable or unwilling to recognize this simple fact.

Accounts

Turning to the income and expenditure account, you will have seen that the excess of income over expenditure for the year amounted to £16,673. This follows the alteration of the scale in bye-law 42 which was approved at the special meeting on November 2nd, 1949.

You will remember that it was considered the increased subscriptions would bring in an additional income of £17,000 for 1950 and that the total revenue from subscriptions would be in the neighbourhood of £70,000, which the accounts show to have been an accurate estimate. I need not repeat the various considerations which led the Council to propose the increases. They were stated in the notice convening the special meeting in November 1949 and are reproduced at pages 88 and 89 of the members' handbook. I will, however, remind you that the immediate objective was to make good as soon as possible the deficits incurred since 1939. At the end of 1949 the accumulated fund had been decreased by £36,731.

The surplus on the present accounts has gone some way towards reinstating the fund, but it is still some £20,000 below the 1939 figure. The year 1951 should result in a further substantial contribution. Moreover, the change in investment policy, to which I will now refer, should help to maintain the purchasing power of our funds.

Investment Policy

In view of the persistent inflationary tendencies, the Council decided to review the Institute's investment policy. As a result, it was decided to utilize the powers

contained in the bye-laws to go outside the range of trustee investments, so as to minimize as far as possible the progressive diminution in the purchasing power of the funds represented by the permanent investments of the Institute. The change-over was in progress at the year-end and was completed soon afterwards, so that approximately half of the investments are now in variable-dividend stocks, the other half remaining in dated fixed-interest stocks. To obtain a wide spread of underlying investments with the limited funds available, the Council has selected the stocks of insurance companies and investment trusts for the variable-dividend investments.

You will have seen from the annual report that in the memorandum submitted to the Nathan Committee on Charitable Trusts the Council recommended that, in order to maintain the purchasing power of the capital and income of trust funds, there should be an extension, subject to certain safeguards, in the range of investments available to trustees without their incurring personal liability for loss.

Auditors

Later in to-day's proceedings you will be asked to reappoint the auditors. The Council recommends an increase in their fees from 150 guineas to 250 guineas each.

There are two reasons for proposing this increase – first the increase in the volume of work entailed by the increased activities of the Institute and, second, it is incumbent to have regard to the changing conditions, especially the rising costs with which all practising accountants have to contend.

Conclusion

There is no need for me to emphasize the very heavy and exacting work which has been carried through by the officials and staff at the Institute. No one can read the report without realizing this and I would express to them on your behalf, as well as on my own, our sincere gratitude for their unstinted work in the interests of the Institute. (Applause.)

Mr MacIver has accompanied me on all my visits to the district societies and has helped me greatly in carrying out my duties as President, and I thank him for his many kindnesses to me. I would like also to thank Mr Loveday and Mr Wilkinson and the other members of the staff for their ready help during the past year. It has been a strenuous time, but I have been fortified by the help and encouragement I have received from past presidents and members of the Council and by the friendship extended to me by the Presidents, officers and members of the district societies, to all of whom I express my grateful thanks.

Ladies and Gentlemen, it has been a great honour to serve as your President and when, early next month, I relinquish that position, I shall carry with me many happy recollections and the knowledge conveyed to me from many quarters that our Institute is held in the highest esteem because of the sound principles on which it is founded.

I now beg to move the adoption of the report of the Council and the accounts for the year ended December 31st, 1950, and I will ask Mr C. W. Boyce, the Vice-President, to second the proposition, after which the meeting will be open for discussion. (Applause.)

DISCUSSION

Mr Charles W. Boyce, c.b.e., f.c.a., Vice-President: Ladies and gentlemen, I have much pleasure in seconding that proposition.

The President: Now, ladies and gentlemen, it is open for discussion. (A pause.) Well, it is very encouraging that there are no questions. (Laughter.) I will now put the resolution to the meeting. Those in favour; on the contrary; that is carried unanimously. Thank you. I now have the pleasure of moving a resolution confirming the appointment of three members of the Council to fill vacancies arising since the last annual meeting. Their names appear in paragraph 6 of the report, and they are Mr T. A. Hamilton Baynes, Mr Kenneth A. E. Moore and Mr T. A. Lacy Thompson.

The Vice-President seconded the resolution and it was carried unanimously.

The President: The next resolution is for the re-election of the following nine members of the Council due to retire under Bye-law 5:

Mr Thomas Austin Hamilton Baynes, m.a., f.c.a., Birmingham.
Mr Bernhard Heymann Binder, f.c.a., London.
Mr James Blakey, f.c.a., Manchester.
Mr Charles William Boyce, c.b.e., f.c.a., Bradford.
Mr Paul Francis Granger, f.c.a., Nottingham.
Mr Henry Crewdson Howard, f.c.a., London.
Sir Russell Kettle, f.c.a., London.
Mr William Roberts MacGregor, f.c.a., Liverpool.
Mr Charles Urie Peat, m.c., m.a., f.c.a., London.

Mr B. W. Rivett, a.c.a.: Mr President, I propose that those members who are due to retire under Bye-law 5 be re-elected.

Mr J. B. L. Clark, a.c.a.: I second that.
The resolution was carried unanimously.

Mr H. Norris, a.c.a.: I propose the reappointment of the auditors, Mr Geoffrey Bostock, f.c.a., and Mr John Myers, f.c.a., at an increased rate of remuneration of 250 guineas each per annum.

Mr H. W. Elliott, f.c.a.: I second that.
The resolution was carried unanimously.

The President: That, ladies and gentlemen, concludes the business of the meeting.

Mr E. F. G. Whinney, f.c.a.: Mr President, before we break up I am sure the meeting would wish to express great appreciation of the services which you have rendered during the year and to thank you for the admirable and interesting address which we have just heard. (Hear, hear.)

I think that the vast range of subjects which were touched upon and clarity with which you dealt with them were very much appreciated by all and I am sure that members present would also like me to mention that in addition to thanking you, Mr President, for your services we must also bear in mind the tremendous amount of work which the Council do for the profession as a whole. The growth and magnitude of the subjects with which they have to deal are quite remarkable. I get some small inkling of what is required because certain things are sent down to us on the district Taxation and Research Committee, but that is only a small fraction of what the Council has to consider on our behalf and I am certain that this meeting would like to thank them all for what they do, in addition to thanking you, Mr President, for your address, and also for the human and kindly way in which you have conducted the affairs of the Institute throughout your year of office. (Applause.)

The President: Ladies and gentlemen, you have already listened to me for nearly three-quarters of an hour and I am sure you do not wish to hear any more of my voice, and so I will just say that I am sincerely grateful for the very kind words which Mr Whinney has used and I thank you all for your kindly reception of them. (Applause.)

The proceedings then terminated.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

SIXTY-FIFTH ANNUAL GENERAL MEETING

The sixty-fifth annual general meeting of the Chartered Accountants' Benevolent Association was held on Wednesday, May 2nd, 1951, at the Chartered Insurance Institute, 20 Aldermanbury, London, at the conclusion of the seventieth annual meeting of the Institute.

Mr George R. Freeman, F.C.A. (the President), was in the chair.

THE PRESIDENT said: Ladies and gentlemen, I take it that the honorary secretary need not be troubled to read the notice convening the meeting or the report of the auditors. (Agreed.) Also I take it that the report and accounts may be taken as read. (Agreed.)

PRESIDENT'S ADDRESS

We have given you a fairly full report of the activities of the past year. I should like, however, to point out two or three items. The first is that we have a net increase of 333 members, which is very gratifying. (Hear, hear.) For many years past we have consistently had to say that we felt that the members of the Institute were not supporting the Benevolent Association as they should, and this increase is very good considering that the Institute's membership has increased by only 628. I hope it is going to be the fashion for the members of the Association to be at least 50 per cent of those of the Institute.

The main feature of the accounts is that we show for once a deficit of £600, and this is going to be, I hope, a propaganda feature and a method of advertising that the Association is in need of more assistance all the way through. This deficit is mainly occasioned by the special grants totalling £1,350 which we made to some of our aged beneficiaries. It is a special grant which will not recur to such an extent in the future, but it is the policy of the Executive Committee to make a grant of a substantial amount to aged persons so that they may have a little bit of capital to fall back upon in an emergency. We feel that it would make them much happier to know that they had something of that sort, in case they needed something in a hurry. (Hear, hear.)

On the other hand, we are increasing our allowances to beneficiaries and during the year Mr Rees and Mr Davies went into the question of increased grants, and we think that the amount of our grants is going to be very much more helpful to beneficiaries having regard to the increased cost of living.

Another item I should like to mention is our investment policy. We have just heard at the general meeting of the Institute that their investment policy has been changed. Ours has also been changed and I have to thank Mr Davies again and also Mr G. L. C. Touche, who is not a member of the Committee, for kindly allowing himself to be co-opted on to a sub-committee to go into that question. I have not had it officially yet, but I believe that within the last day or so they have rearranged our investments so that we are now very much on the same lines as the Institute in the matter of investment policy.

There is one other thing I want to mention and that is Crossways Trust, which was formed for the purpose of providing homes for aged people who otherwise might not be able to be looked after. Mr Loveday has very kindly taken on the burden of being a member of the Board of Governors of Crossways Trust and has relieved me of considerable trouble. I am sure that his influence on the Trust is of very great value to them. The new home which the Trust has established at 'Ridgemead', Englefield Green, Egham, is to be used for those who are infirm. If any of you find that you want looking after and are infirm, there is something there for you to look forward to. (Laughter.)

I will refer only briefly to other items in the report. The Civil Service Benevolent Fund have very kindly offered to make places available to beneficiaries of this Association in their convalescent home at 'Thirlstane', Hindhead, when there are vacancies in that home. That is a very nice gesture on their part. (Hear, hear.)

Then we thank the New Zealand Society of Accountants for their kindness in sending us food parcels which we were able to distribute to our beneficiaries at the end of 1950. The Committee have considered whether in the years to come it may be practicable for us to send some small parcels to our beneficiaries at Christmas time or some other appropriate opportunity. I am sure that the members of the Association would think that a good means of spending our money. (Hear, hear.)

I should like again to refer to the assistance we have received from members of the staff of the Institute. Mr MacIver is our honorary secretary, and Mr Loveday and Mr Wilkinson are a tower of strength, as also is Mr Harvey. I also wish to mention Miss Arkell who occupies the position of almoner to the Association. I am also sure we should like to thank our honorary auditors for their work on our behalf. (Hear, hear.)

With those rather desultory remarks I beg to move the adoption of the report and accounts for the year ended February 28th, 1951.

Mr H. GARTON ASH, O.B.E., M.C., F.C.A., President of the Institute, seconded the resolution.

A MEMBER: Mr Chairman, now that we have achieved a deficit, would it be possible for you to circulate, as you used to do, the amount of donations received from the district societies? It might be good propaganda.

THE CHAIRMAN: That used to be done and I should like to see it resumed, but Mr Loveday tells me it might be a difficult matter and we know that the Institute is overloaded with work. We will certainly, however, take that matter into consideration.

The resolution was then put to the meeting and carried unanimously.

Mr R. P. MATTHEWS, B.COM., F.C.A.: Mr President, I beg to move the re-election of the Honorary Auditors, Mr Geoffrey Bostock, F.C.A., and Mr John Myers, F.C.A. I am glad that you referred to them and I should like to move that we record our thanks to them for their honorary services. (Hear, hear.)

Miss ETHEL WATTS, B.A., F.C.A.: I have very much pleasure in seconding that resolution and the vote of thanks.

The resolution was carried unanimously.

Mr DOUGLAS A. CLARKE, LL.B., F.C.A.: Mr President, ladies and gentlemen, before we leave I should like to move a hearty vote of thanks to our President. We are very glad, sir, that year after year we are able to see you presiding over the meeting so efficiently and happily, with ever more youthful zest and enthusiasm. It is a great pleasure for us to see how benevolence of object can be combined with the businesslike conduct of a meeting and the acceptance of suggestions from the body of the meeting. I should like you to feel assured of our deep thanks and even our affection for all that you do for the Association and its beneficiaries and we all hope that you will for many years continue to preside over us. (Applause.)

THE PRESIDENT: Thank you very much, Mr Clarke, ladies and gentlemen, for that kind vote of thanks. I am beginning to feel that I am getting near the end of my period of office. I am approaching my diamond jubilee of association with the profession and I think the time is drawing near when someone younger should take on the job. (Cries of 'No'.)

The proceedings then terminated.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council, held on Wednesday, May 2nd, 1951, at the Hall of the Institute, Moorgate Place, London, EC, there were present:

Mr H. Garton Ash, O.B.E., M.C., President, in the chair, Mr C. W. Boyce, C.B.E., Vice-President; Messrs G. Adam, M.C., W. L. Barrows, Sir Harold Barton, Messrs T. Hamilton Baynes, B. H. Binder, T. Fleming Birch, J. Blakey, W. G. Campbell, P. F. Carpenter, W. S. Carrington, S. W. Cornwell, A. S. H. Dicker, M.B.E., G. R. Freeman, S. H. Gillett, M.C., P. F. Granger, D. V. House, H. Crewdson Howard, Sir Harold Howitt, G.B.E., D.S.O., M.C., Sir Russell Kettle, Messrs W. H. Lawson, C.B.E., W. R. MacGregor, J. S. Mackenzie, K. A. E. Moore, P. Morgan-Jones, S. J. Pears, C. U. Peat, M.C., P. M. Rees, M.C., L. W. Robson, T. B. Robson, M.B.E., G. F. Saunders, G. D. Shepherd, M.B.E., E. E. Spicer, C. M. Strachan, O.B.E., E. D. Taylor, T. A. Lacy Thompson, D.S.O., M.C., G. L. C. Touche, E. G. Turner, M.C., A. D. Walker, Sir Nicholas Waterhouse, K.B.E., Mr H. B. T. Wilde, with the Secretary and an Assistant Secretary.

Exemptions from the Preliminary Examination

On the report of the War Bye-law Sub-Committee one application under Bye-law 63 (*a*) for exemption from the Preliminary examination was not acceded to.

Reduction in Period of Service under Articles

On the report of the General Purposes Committee two applications under Bye-law 79 for exemption from the Preliminary examination were acceded to.

On the report of the War Bye-law Sub-Committee five applications under Bye-law 63 (*c*) for a reduction in the period of service under articles were acceded to and one application was not acceded to.

Exemptions from the Intermediate Examination

On the report of the General Purposes Committee one application under Bye-law 85 (*b*) for exemption from the Intermediate examination was acceded to and one application was not acceded to.

Intermediate Examination

On the report of the Examination Committee one application under Bye-law 81 for permission to sit the Intermediate examination prior to the completion of one-half of the period of service under articles was not acceded to.

Final Examination

On the report of the Examination Committee one application under Bye-law 86 to sit for the Final examination at a date earlier than that at which the candidate would normally be eligible to sit was acceded to and one application was not acceded to.

On the report of the War Bye-law Sub-Committee six applications under Bye-law 63 (*e*) for permission to sit for the Final examination earlier than two years after passing Intermediate examination were acceded to.

Appointment While Serving under Articles

An application under Bye-law 57 from an articled clerk for permission to accept, during service under articles, the directorship in a private limited company was acceded to, provided that the time involved does not exceed six hours per month.

Articled Clerk: Service in Industrial Organization

An application under Bye-law 58 (*c*) from an articled clerk to spend a period of his service under articles with an industrial organization was acceded to.

Change of Name

The Council decided that the following change of name be made in the list of members:

George Tattersall Walker to George Tattersall-Walker.

City of Birmingham Education Department

It was resolved that Mr W. L. Barrows be reappointed the Institute representative on the Commercial College Advisory Committee of the City of Birmingham Education Department for the municipal year ending 1952.

Auditors' Fees

On the report of the Finance Committee the Council decided to recommend to the annual meeting that the fees of the auditors be increased from 150 guineas to 250 guineas each by reason of the increase in the volume of work entailed by the increased activities of the Institute and having regard to the changing conditions, especially the rising costs with which all practising accountants have to contend.

National Service

The Council received a report on the proceedings at a discussion on April 19th, 1951, between representatives of the Ministry of Labour and National Service and representatives of the accountancy bodies, regarding the position of practising accountants and their staffs in relation to liability for national service in the event of mobilization. The President stated that he would state briefly at the annual meeting the outcome of the discussion and the matter was left to the General Purposes Committee for further consideration.

Forms of Application for Admission to Membership

On the report of the Applications Committee the Council approved a revised form of certificate to be required from a principal in support of an application for admission to membership. The Council also approved a leaflet, to be sent to each principal when articles are registered, drawing attention to the nature of the certificate which will be required if and when the articled clerk is eligible to apply for admission to membership.

Certificates of Practice etc.

On the report of the Applications Committee the following resolutions were passed:

(1) That certificates of practice be issued to the following fifty-eight associates who have commenced to practise:

Arrowsmith, Leo Ellis; 1950, A.C.A.; 7 Campville, North Shields.

Ayling, Albert John; 1929, A.C.A.; (Baker, Sutton & Co), Eldon Street House, Eldon Street, London, EC2.

Bell, John Arthur; 1951, A.C.A.; (Arthur J. Bell & Co), 71 Chestnut Grove, New Malden, Surrey.

Boyles, Wilfred Arthur; 1951, A.C.A.; 817 Kingstanding Road, Kingstanding, Birmingham, 22C.

Bruce, Colin Nigel; 1948, A.C.A.; (Smailes, Holtby & Gray), 99 Princes Avenue, Hull.

Carr, Ronald William; 1936, A.C.A.; (John Gordon, Harrison, Taylor & Co), 7 Bond Place, Leeds, 1, and at Harrogate and Ripon.

Clutton-Brock, Hermine Magdalen, B.A.; 1932, A.C.A.; (H. M. Clutton-Brock & Co), Lloyds Bank Chambers, Bridge Street, Newbury, Berks.

Copeman, Ronald Cyril; 1950, A.C.A.; (Smailes, Holtby & Gray), 99 Princes Avenue, Hull.

Corbett, Denis John Thomas; 1934, A.C.A.; (Stanley Blythen & Co), Victoria Chambers, High Street, Long Eaton, and at Nottingham.

Cosslett, Edward Peter; 1951, A.C.A.; (Cosslett & Co), 47 Market Street, Manchester, 1.

Curtis, Ronald Eric William, M.M.; 1920, A.C.A.; (Peters, Elworthy & Moore), Norwich Union Buildings, Downing Street, Cambridge, and at Saffron Walden.

Dallow, Peter Raymond; 1948, A.C.A.; (H. H. Sherwood & Co), York House, 38 Gt. Charles Street, Birmingham, 3, and at Tamworth.

Drabble, Arthur George Bernard; 1948, A.C.A.; (Crane, Christmas & Co), 46 & 47 London Wall, London, EC2.

Flynn, Francis George Arthur; 1949, A.C.A.; (*Brebner, Allen & Trapp), Bond Street House, 14 Clifford Street, New Bond Street, London, W1, and 1 & 3 Vivian Mansions, Vivian Avenue, Hendon Central, London, NW4.

Fowler, George Hubert; 1928, A.C.A.; (Forrester, Boyd & Co), 26 South St Mary's Gate, and Barclays Bank Chambers, Fish Docks, Grimsby, and at Brigg, Louth and Scunthorpe.

Gergel, Eric; 1949, A.C.A.; (Eric Gergel & Co), 172 High Street, Chatham.

Griffith, Derek Andrew; 1951, A.C.A.; (*R. O. Griffith & Co), 44 Cannon Street, Preston.

Haines, Howell David John; 1950, A.C.A.; (H. J. Waugh & Co), Midland Bank Chambers, Hereford.

Hankinson, James; 1949, A.C.A.; (Smailes, Holtby & Gray), 99 Princes Avenue, Hull.

Hardy, John William; 1930, A.C.A.; 46 Compton Road, Sherwood, Nottingham.

Hawker, Thomas Pelham; 1948, A.C.A.; (Howard Jones & Co), 110 Colmore Row, Birmingham, 3.

Hayward, William Frank; 1944, A.C.A.; (Edwin Collier & Co), Westminster Bank House, 3 York Street, Manchester, 2.

Hirst, Billie; 1950, A.C.A.; (*A. Fitton & Co), 24 Railway Road, Darwen, Lancs.

Holmes, Arthur; 1951, A.C.A.; (David Smith, Garnett & Co), 61 Brown Street, Manchester, 2.

Holmes, Kenneth England-Maxwell; 1921, A.C.A.; Brook House, Saling, Braintree, Essex.

Horne, Frederick Cecil; 1951, A.C.A.; (George Hay & Co), Aston Road, Haddenham, near Aylesbury, Bucks, and at Biggleswade, Chesham, London and Luton.

Hudson, Halmer; 1950, A.C.A.; Wellesley Lodge, 62 Brighton Road, Sutton, Surrey.

Humphries, Alan Peter; 1947, A.C.A.; (Baker, Sutton & Co), Eldon Street House, Eldon Street, London, EC2.

Hyett, Eric Ronald; 1950, A.C.A.; (Arthur C. Goddard & Co), 11 Bruce Grove, Tottenham, Middlesex.

Jones, Joseph Arfon Bevan; 1949, A.C.A.; (A. Owen John & Co), Mardy Chambers, 6 Wind Street, Swansea.

Knight, Richard Beatty Macbean; 1951, A.C.A.; 56A East Street, Brighton, 1.

Mabbs, Clifford Peter; 1951, A.C.A.; (George Gradon & Co), Finsbury House, Blomfield Street, London, EC2.

Morton, Kenneth Leighton; 1938, A.C.A.; (Moller, Morton & Co), Friar's House, New Broad Street, London, EC2.

Myers, Maurice; 1950, A.C.A.; (John Gordon, Harrison, Taylor & Co), 7 Bond Place, Leeds, 1, and at Harrogate and Ripon.

Neatham, Norman; 1951, A.C.A.; (Edwin Bradshaw & Son), 3 Springfield Street, Warrington.

Penn, Edward John; 1935, A.C.A.; 'Firbank', Church Road, Farnborough, Hants.

Pillar, Geoffrey Walter; 1951, A.C.A.; (W. M. Baxter & Co), Park House Chambers, Princess Square, Plymouth.

Pollott, Brian Runciman, M.A.; 1950, A.C.A.; (Spicer & Pegler), 19 Fenchurch Street, London, EC3.

Prince, Edwin Stanley; 1951, A.C.A.; (H. Waissen Wilson & Co), 20 Copthall Avenue, London, EC2, and at Brighton and Spalding.

Remington, Robert Charles; 1951, A.C.A.; (Angus Scott & Co), Barlett House, 9–12 Basinghall Street, Guildhall, London, EC2.

Rew, Ralph Gerald Oldham; 1938, A.C.A.; (Leslie Andrews & Co), 10 North Street, Horsham, Sussex.

Ridgway, William Reginald; 1951, A.C.A.; 13A College Hill, Shrewsbury.

Rose, Hugh Sydney, B.A.; 1950, A.C.A.; (Spicer & Pegler), 19 Fenchurch Street, London, EC3.

Rosen, Abraham, D.F.M.; 1939, A.C.A.; 8 Dorothy Road, Hove, 4, Sussex.

Scheerer, John Elliott; 1933, A.C.A.; (John Gordon, Harrison, Taylor & Co), 7 Bond Place, Leeds, 1, and at Harrogate and Ripon.

Swinstead, David Brian Roy; 1940, A.C.A.; 8 Castlemaine Avenue, Ewell, Surrey.

Taylor, Reubin Derek; 1951, A.C.A.; (R. D. Taylor & Co), 25 Oakdene Park, Finchley, London, N3.

Tempest, Leslie; 1924, A.C.A.; (John Gordon, Harrison, Taylor & Co), 7 Bond Place, Leeds, 1, and at Harrogate and Ripon.

Thomas, Henry Wilson; 1948, A.C.A.; (A. Owen John & Co), Mardy Chambers, 6 Wind Street, Swansea.

Tyler, William Joseph, B.A.; 1926, A.C.A.; (Peters, Elworthy & Moore), Norwich Union Buildings, Downing Street, Cambridge, and at Saffron Walden.

Walker, Robert Gordon; 1948, A.C.A.; (*John Bain & Co), Basildon House, Moorgate, London, EC2.

Ward, Donald Bewick; 1939, A.C.A.; (*Peat, Marwick Mitchell & Co), 13 Mosley Street, Newcastle upon Tyne 1, and at Darlington and Middlesbrough.

Ware, John David; 1949, A.C.A.; (MacIntyre, Hudson & Co), 57 Windsor Road, Slough.

Waring, Thomas Lawson, B.A.; 1949, A.C.A.; (Smithson, Blackburn & Co), Atlas Chambers, King Street, Leeds, 1.

Webber, Norman George; 1937, A.C.A.; (N. G. Webber & Co), 12 Ladbrook Close, Pinner, Middlesex.

Westermann, Harold Wilson Sargant; 1939, A.C.A.; (*Collins, Westermann & Co), Oakfield Corner, Amersham.

Wilkinson, Robert Stuart; 1945, A.C.A.; (Bourner, Bullock & Co), 17 Albion Street, Hanley, Staffs; (for other towns see Bourner, Bullock & Co).

Williams, James Bradford; 1948, A.C.A.; (*G. B. Williams, Ross & Co), Old Bank Chambers, Pontypridd.

(2) That twenty-five associates be elected to fellowship under clause 6 of the supplemental Charter (Bye-law 31).

(3) That one application to be admitted as an associate

* placed against a Firm Name signifies that the Firm is not exclusively composed of members of the Institute.

under clause 5 of the supplemental Charter (Bye-law 31) be refused.

(4) That two applicants be admitted as associates under clause 9 of the supplemental Charter (Bye-law 36).

A list of those who complete their fellowship or membership before May 15th will appear in *The Accountant* on May 19th.

Registration of Articles

The Secretary reported that 92 articles of clerkship were registered during the month of April as compared with 78 in the previous April.

Resignation

The Secretary reported the resignation of:
Mr James William Hankins, A.C.A., London.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Harold Edmund Barham, F.C.A., London.
" Edward John Bell, A.C.A., Sutton.
" Reginald Albert Blackford, A.C.A., Southampton.
" Charles James Newcombe Butler, M.A., F.C.A., London.
" George Edward Fawcett, A.C.A., Dublin.
" John Garner, F.C.A., Horsham.
" Ernest Beasley Gill, A.C.A., Nairobi.
" Arthur Haslam, F.C.A., Walsall.
" Ralph Legge, B.COM., F.C.A., London.
" Ismay Graham Pattinson, A.C.A., Arcadia, U.S.A.
" Sydney Amos Reed, A.C.A., London.
" Jack Sedgwick, A.C.A., Salford.
" Rowland Evans Smith, F.C.A., London.
" Gilbert Henry Ord Stephenson, A.C.A., Sydney.
" John Taylor, A.C.A., Jacksonville Beach, U.S.A.

NOTES AND NOTICES

The Institute of Chartered Accountants in England and Wales

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 *of the bye-laws appended to the Supplemental Royal Charter of December* 21*st*, 1948, *at a hearing held on April* 4*th*, 1951.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Mr Arthur Grenville Shepherd, A.C.A., had been guilty of a default discreditable to a member of the Institute within the meaning of Section 21, subsection (3), of the Royal Charter in that (*a*) having acted in a professional capacity in relation to the affairs of a certain client he refused or neglected to provide any information in relation to and necessary for the settlement of such affairs during the period from April 21st, 1950, to January 8th, 1951, despite the repeated demands and requests of a firm of chartered accountants then acting for the said client, and (*b*) he had failed to reply to three letters addressed to him on the said matter by the Secretary of the Institute dated respectively December 8th, 1950, January 5th, 1951, and January 29th, 1951, so as to render himself liable to exclusion or suspension from membership of the Institute.

The Committee found that the formal complaint had been proved, both under headings (*a*) and (*b*), and the Committee ordered that Mr Arthur Grenville Shepherd, A.C.A., of 39 Tremlow Avenue, Parkstone, Dorset, be excluded from membership of the Institute.

In Parliament

SCHEDULE A ASSESSMENTS

Mr WOOD asked the Chancellor of the Exchequer what is the relation, for purposes of taxation, between the rating and Schedule A assessments.

Mr GAITSKELL: In England and Wales there is, in law, no relation, though in the case of owner-occupied property most bodies of General Commissioners of Income Tax take account of the rating assessment in determining the amount of the Schedule A assessment. In Scotland the rating value is almost always adopted for Schedule A, and in Northern Ireland it is adopted by statute in all cases.

Hansard, May 1st, 1951. Written Answers, Col. 123.

Personal

MESSRS WATERWORTH, RUDD & HARE, Chartered Accountants, of Central Buildings, Richmond Terrace, Blackburn, announce that Mr WILLIAM HARE, F.C.A., who has been a partner in the firm for the past forty years, retired from the partnership on April 30th, 1951. The practice will continue to be carried on by the remaining partners under the same style as heretofore.

MESSRS EDWIN BRADSHAW & SON, Chartered Accountants, of 3 Springfield Street, Warrington, announce that Mr EDWIN BRADSHAW, F.C.A., senior partner and founder of the firm has decided to retire from the practice. The firm will be continued in the same name by the remaining partners with the addition of Mr NORMAN NEATHAM, A.C.A., who has been a member of the staff for a number of years.

MR JOHN CLAPTON, A.C.A., announces that the name of his former partner, the late Mr W. J. LINES, A.S.A.A., will no longer form part of the title of his practice, which will in future be carried on under his own name at Mitre Chambers, New Street, Salisbury.

Professional Notes

Mr Ames L. Imrie, C.A., F.I.M.T.A., at present City Chamberlain of Dundee, has been appointed to succeed Sir John D. Imrie, C.B.E., J.P., M.A., B.COM., F.S.A.A., F.I.M.T.A., City Chamberlain of Edinburgh who is retiring in October next. Mr Imrie is a member of the Scottish Housing Advisory Committee.

Mr R. E. W. Stroud, B.COM., C.A., has resigned from May 5th, 1951, his appointment as chief accountant to U.K.-Dominion Wool Disposals Ltd (the joint organization) on taking up a position in Aberdeen.

Chartered Accountant's Diamond Wedding

We extend our congratulations to Mr William Bolton, F.C.A., and to Mrs Bolton, of Chesham, Llandudno, who today, May 12th, celebrate their diamond wedding anniversary. Mr Bolton was a member of the Council of the Institute from 1921–28, and during the war years was President of the Manchester Society of Chartered Accountants.

Obituary

RALPH LEGGE, B.COM., F.C.A.

It was with regret that we learnt of the death, on April 26th, at the age of 49, of Mr Ralph Legge, B.COM., F.C.A., senior partner in the firm of Muras & Co, Chartered Accountants, of 49 Queen Street, Wolverhampton.

Mr Legge was admitted an Associate of the Institute in 1926 and elected a Fellow in 1944. A member of the committee of the Birmingham Society of Chartered Accountants, Mr Legge was one of the founder-members of the Wolverhampton Branch of that Society and a past-chairman of the Branch. He was a director of Joseph Legge & Co Ltd, Willenhall, and of the Wolverhampton Race Course and Dunstall Park Club Co Ltd.

Double Taxation Norway

A double taxation convention between the United Kingdom and Norway was signed in London on May 2nd by the Rt. Hon. Herbert Morrison, M.P., Principal Secretary of State for Foreign Affairs, and his Excellency Monsieur P. Prebensen, Norwegian Ambassador Extraordinary and Plenipotentiary in London.

The convention, which is subject to ratification, provides for avoidance of double taxation on income and profits and is expressed to take effect in the United Kingdom from April 6th, 1950. The convention is in general similar to those already made with the United States of America, certain Commonwealth countries, France, the Netherlands, Sweden and Denmark. The full texts will be published shortly by H.M. Stationery Office.

Our Weekly Problem

NO. 43: PIE PUN

Pycroft Halt was the nearest station. To get to Pies & Rupees Ltd it was necessary to go either way round the ring road that passed the station, and then turn up or down Annas Way which was the central road across the suburb. Charles Sidate, engaged on the audit, found that by one route it was half a mile to the offices but if he started off in the other direction it was forty yards longer. He was pleased at making this discovery and hummed to himself a little ditty:

'Twenty-four blackbirds baked in a π
Twenty-two sevenths, no annas one pie.'

What was the length of the ring road?

The answer will be published next week.

ANSWER TO NO. 42: WHAT WAS THE SUBSCRIPTION?

If all the new members of the String Pullers' Association had contributed a guinea to their benevolent fund the total amount received would have been £510 plus £8 8*s* 0*d* plus 11*s*, i.e. £518 19*s* 0*d* or 10,379 shillings. Unless there are alternative solutions this must be the product of two prime numbers, which it is, i.e. 97 and 107. There were thus 97 members and the subscription to the association was four guineas.

The Accountant

ESTABLISHED 1874

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PUBLIC OWNERSHIP AND EFFICIENCY

THE state ownership of the country's basic industries has for long been a subject of political and economic discussion in Britain. For a period nearly as long, the subject has appeared on one party's political programmes and manifestos. These last five years have seen the culmination of many of the plans for nationalization as one industry or service after another has been brought into public ownership. But for one reason or another, as nationalization of the basic industries is becoming an established fact, the grounds on which state ownership is justified are becoming more and more shifting and uncertain. Apart from the naïve idea that everything done by a Minister of the Crown is, *ipso facto*, in the public interest and therefore nationalization needs no further justification, there is no settled 'theory' of state ownership. Recent events, the abandonment of the groundnuts scheme and the long-drawn-out trade talks with Argentina, for example, have, however, shaken established beliefs in the infallibility of Government departments. At the same time, the idea that a nationalized industry or service should be managed primarily for the benefit of the employees in that enterprise has tended to gain ground. Naturally enough, this is the view most favoured by the employees in the nationalized industries and their trade union representatives. Generally speaking, however, this view is implied rather than overtly stated.

The Acts under which industries and services have been brought into public ownership usually contain provisions to the effect that the industry or service shall pay its way taking one year with another. In this respect interest on the nationalized capital is to be regarded as an element in cost. Further, there may be clauses which lay firmly and squarely on the controlling body of the state enterprise the duty of providing an adequate service, or an output sufficiently large to meet the country's economic needs. These two aims, if they could be achieved, might appear at first sight sufficient to safeguard the public interest. But since state enterprises must, by their nature, be virtual monopolies, it can easily be demonstrated that the public have nothing like complete protection. The achievement of the two-fold aims of adequate supply and the recovery of expenses may necessitate large increases in the prices which the public have to pay. The recent improvements in miners' earnings and conditions were quickly followed by a rise in the price of coal. The Railway Executive has been at pains to point out that the increase recently awarded to railwaymen must inevitably result in higher passenger and freight charges. State enterprises may therefore be in a

position to pass on to the public their increased costs simply by raising their selling prices. They are under no statutory obligation to absorb higher costs by promoting greater efficiency. If the elasticity of demand for their product is low, as in the case of coal, they will be under no economic pressure to keep down costs. In the case of passenger traffic increases in railway fares could conceivably reduce the gross receipts on account of a reduction in the amount of travelling done. To this extent, the monopolistic power of the railways is partly limited. Enough has been said, however, to make it clear that efficiency in state enterprises is not enforced by statute or necessarily urged by economic conditions. This is not to say that nationalization cannot lead to increased efficiency, or that state ownership is always less efficient than private enterprise – far from it. It does mean, however, that increased efficiency does not flow automatically from nationalization and that if it is to be attained it will require conscious and unremitting effort.

Unfortunately there is a growing volume of evidence which tends to show that employees in state-owned enterprises are not so much interested in greater efficiency as in retaining their particular jobs and increasing their rates of pay. This is a pity both from the viewpoint of the general public and, in the long run, of the men themselves. Suggestions have been made that the Transport Commission and the National Coal Board should be relieved of their statutory duty to pay their way, and that any loss incurred by these bodies should be made up out of taxation. This would be tantamount to the payment of a subsidy, and its implementation would be certain to reduce such efforts as are now being made to increase efficiency. There are obvious economies which could be made in the country's transport system, not only in the day-to-day workings, but also on the grand organization scale. The development of a fully integrated system of transport is indeed the primary object of the Commission, or should be. Such a system cannot be established without the elimination of waste, overlapping of services, and the substitution of more efficient methods for those which have outlived their usefulness. Its accomplishment must inevitably lead to some redundancy of labour and to a degree of concentration of effort at the more efficient centres. Resistance to such changes can have but one effect – a decline in the value of the service which is offered to the public. A similar problem exists in the coal-mining industry. It is the declared intention of the National Coal Board to close down uneconomic pits and concentrate production at the more profitable mines, and in the process open up new collieries. This must cause some inconvenience and even hardship, but its burden will be very light in comparison with the benefits which this increased efficiency would bring. On the one hand there is the need to improve the service which nationalized industries give to the public and increase the efficiency with which they operate. On the other, there is the growing belief that state enterprises must always offer full employment in existing jobs at rates of pay which compare with that obtained by comparable groups of workers in other industries. If such conditions cannot be maintained without losing money, then it is held by this school of thought that financial help should be provided by the taxpayer. Somewhere between these two views is the idea that discussions on wages and hours must be kept separate from those dealing with plans aimed at improving efficiency. This seems to offer only a sterile approach to the whole problem.

These two views are clearly in direct conflict and this is perhaps most in evidence on the railways and associated transport systems. The public has the right to know what are the Government's feelings in the matter. The benefits which nationalization of the basic industries could bring are in danger of being lost, or long deferred. If the official view is still that nationalization is undertaken to advance the national well-being, then it is high time that firm instructions were given to the State Boards and Commissions that efficiency must be their first aim. This need not operate to the detriment of the employees in state enterprises for the more efficient these enterprises are, the better the conditions which can be offered to their personnel. This is surely the common-sense point of view – good economics always make good sense, in spite of what the cynics say. If it is now held that the welfare and advancement of the employees in a state enterprise must be the first consideration, and the public interest second, then the electorate will know how to approach suggestions for further nationalization.

CONSOLIDATED ACCOUNTS

COST OF SUBSIDIARY COMPANY'S SHARES

by E. HARMAN, A.C.I.S.

WHEN a parent company acquires control of a subsidiary through shareholding, two factors are at once known: (1) the proportion of the consideration represented by 'tangibles' – land, plant, stock, debtors, etc., and (2) the proportion of the consideration represented by 'intangibles' – chiefly goodwill.

This information ought to be given the shareholders, but the present method of treatment appears to throw out a figure (often extremely large) that is just meaningless. The full disclosure of the nature of the consideration a parent company receives for its outlay on subsidiary company shares depends entirely on the treatment given in the consolidated balance sheet to subsidiary company reserves 'acquired' or 'purchased' by the parent company. The existing method appears to exclude these reserves from the consolidated balance sheet; they are deducted (so far as can be) from the cost price of the shares. The result is that the consolidated balance sheet shows (1) parent company reserves in full and (2) subsidiary company reserves only so far as these have not been 'acquired' or 'purchased' by the parent company.

I submit that when a parent company acquires a subsidiary, it acquires a business as a going concern and not a collection of 'net assets'. There are two all-important items of information that shareholders are entitled to obtain from the accounts: (1) the profit available for dividend – this is given in the consolidated profit and loss account, and (2) the position of the group as a going concern, that is, complete with their reserves.

The importance of reserves in assessing the future operating strength and prospects of a business cannot be over-emphasized. The fact that the parent company has purchased a reserve in the accounts of a subsidiary company in no way interferes with the right and authority of the subsidiary to use the reserve for the purpose for which it was created, e.g. for contingencies reserve, to meet a contingency, profit and loss account, to pay a dividend, etc.

If this view be accepted, the treatment of the cost of subsidiary company shares can be best illustrated by example, as follows:

SUBSIDIARY COMPANIES

Liabilities	A.	B.	*Assets*		
Share capital	£5,000	£6,000	Sundry assets	£16,000	£17,000
Capital reserves	5,000	4,000			
Revenue reserves:					
Contingencies	2,000	3,000			
Dividend equalization	—	1,000			
Creditors	4,000	3,000			
	£16,000	£17,000		£16,000	£17,000
Shares are purchased for	£15,000	£18,000			

CONSOLIDATED BALANCE SHEET
(£10,000 added to each item for Parent Company)

Liabilities	£	£	*Assets*	£
Capital reserves		19,000	*Goodwill:* Excess of cost of Subsidiary Company shares to extent represented by intangibles	7,000
Revenue reserves:				
Contingencies	15,000			
Dividend equalization	11,000			
		26,000		
		45,000		
Less Excess of cost of Subsidiary Company shares over par value to extent represented by tangibles		15,000		
		£30,000		

WEEKLY NOTES

The Finance Bill: Second Reading

At the second reading of the Finance Bill, the Financial Secretary to the Treasury announced two concessions of a minor kind. The fact that the suspension of initial allowances is not to operate until next year, whilst giving ample warning to industry in most cases, does not cover the case of long-term contracts for capital expenditure. An amendment is to be put down to except from this suspension, payments on account of ships which were in course of building for a trader on Budget day (April 10th, 1951), even though the payments are made after April 5th, 1952. This concession will only apply where building had been actually started by April 10th this year. The second announcement was that the proposed $66\frac{2}{3}$ per cent purchase tax on portrait photographs made from materials which have not borne tax is to be withdrawn because of the practical difficulties involved.

In his reply to the debate, Mr Gaitskell stated that the increases in the tax on distributed profits did not mean that the Government were now indifferent to increases in dividends and he gave the warning that if the policy of moderation and restraint were abandoned, further action to check the inflationary tendency would have to be considered.

Clause 32 (under which heavy fines and imprisonment may be imposed where companies migrate without Treasury consent) came under heavy fire, as might have been expected. The Chancellor said it would be wise for a small advisory committee to be appointed to help him to reach accurate conclusions when requests for consent were made, though the final decision must rest with him. The issue would not, however, be decided purely on revenue grounds.

Summing Up on Torquay

The tariff negotiations, protracted though they have been, have not produced anything spectacular in the way of mutual tariff concessions. This was not unexpected. Most countries had reached the limit of concession within the bounds of existing national legislation at the preceding Annecy conference. This conference at Torquay was expected to be an effort to consolidate ground already won, to increase the membership of the General Agreement on Tariffs and Trade (G.A.T.T.) and to negotiate a few further tariff concessions all round where there proved to be scope for give and take.

In the event, progress has been secured in all three directions. Concessions negotiated at the Geneva and Annecy conferences have been extended until 1954. Western Germany has been brought within the agreement and there have been a few further tariff concessions agreed upon. Under this heading, little headway could be made between the Commonwealth and the United States (except for the special case of Canada and the United States) since it was not possible to make any further substantial inroads into the imperial preference system. So far as this country was concerned, it looks as though it comes out of the conference with a small net advantage in tariff concessions if these are assessed on the basis of past trade – as tariff agreements must be assessed. But the past may not give a very accurate guide to the future.

While the talks have been going on there has been one important change in international trade which will affect the value of G.A.T.T. from now on. Rearmament is now in full swing with its attendant strains on world supplies of raw materials and exports of manufactured goods. How will G.A.T.T. fare in a world which wants to buy raw materials and engineering goods but which wants to sell consumer goods? What basis is there for further dismantling of world tariffs when countries want to keep their manufactures of tools and equipment and want to sell to one another their supplies of clothing and toilet preparations?

Dearer Money

Signs are not lacking both in the movement of long-term interest rates and in informed discussion on the subject that dearer money has become an established factor in fiscal and banking policy. That does not mean, of course, that the demand for, and the supply of, capital, is about to be allowed to settle the long-term rate of interest. There is no sign as yet that the rate of interest is to be allowed to fulfil its traditional function of fixing the price and hence the direction of flow of the country's supply of capital. In this matter, official controls have criteria laid down by Government policy for dealing with applicants for new finance.

For a matter of months now, the long-term rate of interest on Government debt has been around 4 per cent and industrial concerns have had to accept increasingly disadvantageous terms in the market whether they sought finance by ten-year notes or by preference issues. Meanwhile, ordinary shares have been offering lower yields. In short, the customary pattern of the market in a time of inflation has been worked out once more.

It is therefore clear that a new plateau of interest rates is now pretty well established. What is not clear is whether this change presages any change of monetary policy. On the whole there is little to suggest that as yet there is any change under way. It is true that the Chancellor of the Exchequer made a passing reference in his Budget speech to the useful role which higher interest rates have played in helping to stop inflation. But there is as yet no indication that those semi-Government institutions which seek large amounts of new money from time to time (such as the nationalized industries and the local authorities) and whose terms of borrowing are controllable on the whole by the Treasury, are having to accept a higher rate of interest. These, rather than those who

seek capital in the market on unsponsored terms, are perhaps the bell-wethers of policy.

Changed Import Policy

It was becoming clear towards the end of last year that some of the improved position in this country's gold and dollar reserves was due to a decline in the volume of imported food and raw materials. The country was living to some extent on its stocks. This state of affairs was finally brought fully to the light when the national income figures were published recently. Since then there have been some signs that this country's hoarding of gold and foreign exchange has ceased and that the importance of laying in stocks of raw materials is now reflected in official action.

The import figures for the first quarter of this year are now available. As was to be expected from the value figures already published, imports have remained buoyant although exports have entered upon a difficult period. Retained imports for the first quarter were 120 (1947=100) compared with 111 in the same months of last year. The raw materials index is noticeably higher and altogether seven groups show increases, one is unchanged and three are lower. True, some of the deficiencies were important. For instance, imports of steel scrap were down and so was iron ore. If these declines were due to difficulties in obtaining shipping tonnage at a time when coal was being given a high priority, they will soon right themselves. But if they persist, they spell more intense raw material difficulties for the iron and steel industry, a problem which is already serious.

Better Trade Figures

Provisional external trade figures for April issued at the end of last week show an improvement on the rather disturbing results for March. Both imports and exports reached new record levels. Exports last month were just over £230 million, compared with a monthly average for the first quarter of the year of about £193 million. It seems probable that better shipping facilities were responsible for a good deal of this improvement.

There is something almost inexorable in the way that imports continue to advance. Last month they reached over £311 million compared with the first quarter's average of £283 million.

The adverse balance was thus noticeably reduced from the high level of March. The figure works out at £74·4 million compared with £95·8 million for March. The picture looks less assuring however when comparison is made with the trade gap for 1950. The average monthly adverse balance last year was only £29 million.

REVIEWS

Greater Production: Its Problems and Possibilities
by Walter Scott

(Published in Australia and obtainable from Sweet & Maxwell Ltd, London. £3 10*s* net)

The possibility of increasing output per man-hour, based on the studies made of various American industries, continues to receive great publicity through the medium of the reports issued under the auspices of the Anglo-American Council on Productivity. These reports indicate that if American methods could be applied in this country, productivity might be increased by anything between 50 per cent and 200 per cent. Increases of this magnitude (or even much smaller ones) would have an enormous effect on Britain's economic position, and would, of course, raise the material standard of living considerably. In the light of this comparison with American industry, it is overwhelming to learn from Mr Scott's book that even in the United States present levels of productivity could be increased by 75 per cent. Whether that is so or not, the evidence is clear, as this book brings out, that higher productivity depends mainly on approach and attitude, that is, on psychological factors. For this reason the work should be widely read, for it reviews thoroughly the whole field of industrial relations. Such matters as time and motion study and incentive schemes, of special interest to the industrial accountant, are discussed at length.

SHORTER NOTICES

Office Printing and Duplicating, by J. E. Dunkley. (Office Management Association, London. 5*s* net). This booklet is an informative addition to the series published by the Office Management Association on office systems and methods, and is based on a paper presented by Mr Dunkley at a one-day conference on office printing and duplicating held by the Association. The booklet surveys the whole field of office printing and duplicating processes and contains illustrations of equipment demonstrated at the conference.

The Future of Private Enterprise, by George Goyder. (Basil Blackwood, Oxford. 9*s* 6*d*.) The author of this unusual book questions the divine right of shareholders, so long accepted by law and tradition, and outlines the company of the future with firm responsibilities not only to its members, but also to a wider circle of employees and consumers. An interesting account is given of the Carl Zeiss Foundation.

Trial-and Error, by Herbert H. Marks, F.C.A. (The Mitre Press, London. 5*s* net.) This is not a treatise on the trial balance, as one might expect from the title and from the profession of the author, who is a chartered accountant: it is an exercise in verse drama. A poet is accused of breaking the moral law, and after a prolonged trial and a summing up by the judge in the form of 150 rhymed octosyllabic couplets, is banished, still unabashed, for ten long years.

FINANCE AND COMMERCE

Political uncertainties have again intervened to create a feeling of anxiety in stock markets. With the seasonal falling off in business during the summer months the equity advance is likely to slow down.

Unlocked Door

We commend to our readers the letter from Mr W. Blackie, vice-president of the Caterpillar Tractor Company of America, which appears elsewhere in our correspondence columns. The company's accounts were reproduced in our issues for the last two weeks of March. We are glad to feel that 'Finance and Commerce' has been the means of bringing together Mr Blackie, his company, and our readers.

There is one point that is worth noting in connexion with his disclosure of sales figures, common practice in America, but still on the 'secret list' here. It is that a very large number of companies in this country have already unlocked the door to this information by publication of an analysis of the £1 of sales – 'cake-cutting' it has been called.

With the door unlocked, it would seem to be a mere matter of arithmetical calculation to arrive at the total sale figure. Given the proportion of each £1 of sales that goes in taxation, depreciation, reserves, dividends, and any other item shown in the accounts, total sales would appear to be easily ascertainable.

In Seventeen Days

One point which Mr Blackie has not mentioned is the speed with which the Caterpillar figures are produced. This can be seen in the letter from the company to the New York and San Francisco Stock Exchanges (which we reproduce below) dated only seventeen days after the accounting date. The facts given are the fundamentals: how the business is doing; what profit it is making; and what it means to the holder of the common stock.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
OF THE NORTHERN ASSURANCE COMPANY LIMITED AND ITS SUBSIDIARIES
For the Year ended December 31st, 1950

	1950 £	1950 £	1949 £	1949 £
INCOME				
Transfers from revenue accounts annexed:				
Fire	836,753		*888,617*	
Accident	28,718		*147,974*	
Marine	448,017		*163,145*	
		1,313,488		*1,199,736*
One-fifth of life and capital redemption profits as transferred for past quinquennium		24,000		—
Shareholders' investment income, before tax		645,045		*538,201*
(The net amounts after deducting United Kingdom income-tax were £358,940 in 1950 and £310,733 in 1949)				
Transfer fees		8,219		*6,067*
Transferred from contingency reserve to meet exchange adjustments				*550,380*
		£1,990,752		*£2,294,384*
OUTGO				
Exchange adjustments transferred to revenue accounts			*1,289,000*	
Less surplus on revaluation of current assets			*738,620*	
Loss on exchange	17,223		*550,380*	
Bad debts	3,580		*3,066*	
		20,803		*553,446*
TRADING PROFIT BEFORE TAX		£1,969,949		*£1,740,938*
Overseas taxation	396,616		*317,497*	
United Kingdom taxation, after adjustment of reserves, less estimated reliefs	828,303		*750,494*	
		1,224,919		*1,067,991*
NET TRADING PROFIT		745,030		*672,947*
Profits of subsidiaries attributable to outside shareholders		152		*101*
NET PROFIT		£744,878		*£672,846*
Dealt with in the accounts of the Northern	548,537		*516,061*	
Retained by subsidiaries	196,341		*156,785*	
APPROPRIATION OF NET PROFIT				
Net profit as above		744,878		*672,846*
Balance brought in from previous year:				
Northern	1,823,257		*1,549,362*	
Subsidiaries	578,133		*436,348*	
		2,401,390		*1,985,710*
PROFIT AVAILABLE FOR DISPOSAL		£3,146,268		*£2,658,556*
Appropriated as follows:				
To staff pension reserve (account annexed)	32,500		*65,000*	
To investment and contingency reserve	100,000		—	
Dividends, less income-tax:				
Preference: Fixed	16,582		*16,581*	
Participating, proposed	11,550		*9,900*	
Ordinary: Interim	77,320		*77,320*	
Final, proposed	99,411		*88,365*	
		337,363		*257,166*
LEAVING TO BE CARRIED FORWARD UNDIVIDED		£2,808,905		*£2,401,390*
Northern	2,089,591		*1,823,257*	
Subsidiaries	719,314		*578,133*	

CONSOLIDATED BALANCE SHEET OF THE NORTHERN ASSURANCE COMPANY LIMITED AND ITS SUBSIDIARIES,
At December 31st, 1950

	1950 £	1950 £	*1949* £	*1949* £
ASSETS				
The Group had the following resources:				
Investments				
Mortgages		3,394,380		*2,509,361*
Loans etc.		904,907		*900,742*
Stocks and shares:				
British Government	12,191,184		*12,864,506*	
Other	20,964,030	33,155,214	*19,007,350*	*31,871,856*
		£37,454,501		*£35,281,959*
Fixed Assets				
Office buildings and other properties		795,794		*814,976*
Current Assets				
Debts due and accruing	5,758,265		*5,008,327*	
Cash and bank balances, at home and abroad	3,228,366	8,986,631	*3,002,972*	*8,011,299*
TOTAL RESOURCES OF THE GROUP		£47,236,926		*£44,108,234*
LIABILITIES				
The above resources were required for the following obligations (which include reserves and provisions):				
To Policyholders				
Insurance funds: Short-term business	11,963,370		*10,791,182*	
Long-term business	19,204,806		*18,605,059*	
Claims outstanding	3,855,141		*3,327,637*	
Participation fund investment and contingency reserve	685,575	35,708,892	*684,202*	*33,408,080*
To Other Creditors				
Debts due and accruing	3,632,373		*2,644,753*	
Minority interests in subsidiary companies	4,703		*4,618*	
Dividends proposed payable in 1951	119,252	3,756,328	*106,555*	*2,755,926*
TOTAL OBLIGATIONS OF THE GROUP		£39,465,220		*£36,164,006*
Leaving a SURPLUS represented by:				
Capital				
6 per cent Participating Preference Shares: 67,000 shares of £7 10s each, all issued, fully paid	502,500		*502,500*	
Ordinary Shares: 600,000 shares of £10 each, of which are issued 401,661 shares, £1 paid	401,661	904,161	*401,661*	*904,161*
Reserves				
General	2,000,000		*2,000,000*	
Investment and contingency	1,555,580		*1,423,583*	
Staff Pensions			*759,408*	
Life and capital redemption profits retained	96,000		—	
Future taxation	407,060	4,058,640	*455,686*	*4,638,677*
Undivided Profits				
Balance of profit and loss account		2,808,905		*2,401,390*
TOTAL SURPLUS		£7,771,706		*£7,944,228*

CATERPILLAR TRACTOR CO

April 17th, 1951.

New York Stock Exchange,
New York, New York.

San Francisco Stock Exchange,
San Francisco, California.

The following statement of results of operations of Caterpillar Tractor Co for the month of March, 1951, and for the quarter ending March 31st, 1951, is released for publication.

	For the month of March
Sales	$42,237,939
Profit	$2,374,430
Profit per share of common stock after providing for dividend on preferred stock	$·61

	For the Quarter ending Mar. 31st
Sales	$109,637,135
Profit	$6,062,223
Profit per share of common stock after providing for dividend on preferred stock	$1·54

Sales for March include shipments which should have been made in February but were delayed by the railroad strike in that month.

L. B. NEUMILLER,
President.

I. C. F. C.

A sound proportion of the business introduced to the Industrial and Commercial Finance Corporation Ltd is the result of the Corporation's relationships with the accountancy profession. Demand for the Corporation's facilities continues to grow and in the year to March 31st, 1951, there were 634 applications compared with 548 in the preceding year. Advances have now risen to over £20 million, and Lord Piercy, the Corporation's chairman, points out that the return flow of payments is now a significant factor in the business.

The Corporation was set up in 1945 to provide capital for undertakings unable to raise necessary finance through the recognized normal channels. One point of particular interest under present circumstances is that the directors of the Corporation have 'devoted some thought to the problems which are raised for the private company by the incidence of death duties', and in some cases 'have been able to

BALANCE SHEET
OF THE NORTHERN ASSURANCE COMPANY LIMITED, EXCLUDING SUBSIDIARIES
At December 31st, 1950

	1950 £	1950 £	1949 £	1949 £
ASSETS				
The Company had the following resources:				
Investments				
Mortgages		2,411,972		1,636,473
Loans etc.		670,409		671,161
Stocks and shares:				
British Government	5,950,187		6,541,346	
Other	11,799,379		10,846,168	
		17,749,566		17,387,514
		£20,831,947		£19,695,148
Fixed Assets				
Office buildings and other properties	747,830		767,201	
Shares in subsidiary companies	2,742,371		2,742,371	
		3,490,201		3,509,572
Current Assets				
Due from subsidiary companies	168,921		230,180	
Other debts due and accruing	3,418,637		2,781,856	
Cash and bank balances, at home and abroad	1,509,290		1,390,566	
		5,096,848		4,402,602
TOTAL RESOURCES OF THE COMPANY		£29,418,996		£27,607,322
LIABILITIES				
The above resources were required for the following obligations (which include reserves and provisions):				
To Policyholders				
Insurance funds: Short-term business	5,155,740		4,578,013	
Long-term business	12,990,325		12,567,978	
Claims outstanding	2,393,814		2,039,730	
Participation fund investment and contingency reserve	685,575		684,202	
		21,225,454		19,869,923
To Other Creditors				
Due to subsidiary companies	31,456		7,635	
Other debts due and accruing	2,054,746		1,356,984	
Dividends proposed payable in 1951	119,252		106,555	
		2,205,454		1,471,174
TOTAL OBLIGATIONS OF THE COMPANY		£23,430,908		£21,341,097
Leaving a SURPLUS				
represented by:				
Capital				
6 per cent Participating Preference Shares: 67,000 shares of £7 10s each, all issued, fully paid	502,500		502,500	
Ordinary Shares: 600,000 shares of £10 each, of which are issued 401,661 shares £1 paid	401,661		401,661	
		904,161		904,161
Reserves				
General	2,000,000		2,000,000	
Investment and contingency	738,336		683,568	
Staff Pensions			592,239	
Life and capital redemption profits retained	96,000		—	
Future taxation	160,000		263,000	
		2,994,336		3,538,807
Undivided Profits				
Balance of profit and loss account		2,089,591		1,823,257
TOTAL SURPLUS		£5,988,088		£6,266,225

assist such companies in financial arrangements calculated to meet some of these difficulties and to assist in maintaining desirable continuity of management'.

Employer's Liability

While giving the wide publicity of a full reprint to the accounts of The Northern Assurance Co, a word is also due to those other companies in this industry which are moving with the times. Insurance accounts are being made much easier reading. A recently published example is provided by the Employers' Liability Assurance Corporation Ltd, 'the first company to write employers' liability policies in the English-speaking world'. The company provides its own accounts with a consolidation and, separately, the accounts of Clerical, Medical and General Life Assurance Society which is not technically a subsidiary. The improved reading is largely a matter of layout with appropriate sub-headings but it makes all the difference.

An interesting point brought out in the chairman's statement is the contribution made by the insurance industry to the country's overseas earnings. The bulk of the motor business, which yielded £7¼ million in premiums, came from the United States where a record output of 8,000,000 new motor vehicles, the chairman says, brought 1950 registrations up to some 50,000,000. Incidentally, a quarter of all the private cars in the world, he says, are located in only five states of the Union – California, Illinois, New York, Pennsylvania and Ohio.

Northern Assurance

With this week's concluding reprint of the accounts of the Northern Assurance Company we come to the main portion – the consolidated profit and loss account and the two balance sheets. There was a time when the balance sheet of an insurance company looked one solid slab of narrative and figures. In these accounts the aim has been to present the essence of a financial position rather than the material from which the essence must be distilled.

Money Market

Treasury bill applications totalled £350,325,000 on May 11th. The average rate was 10*s* 2·79*d* per cent and 60 per cent of requirements was obtained. This week's offer is £260,000,000 and there is a Treasury deposit receipt call for £25,000,000.

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

British and American Public Financial Reporting

SIR, – We are naturally very pleased that through your publication of our financial statements for 1950 we might perhaps be of some service in the further development of British company reports. (*The Accountant*, March 24th and 31st, 1951.)

Last year I spent some considerable time in England and, in the course of many visits with business men, I had occasion to discuss public financial reporting. Where they had been receiving copies of our annual reports, a number of these business men seemed to understand our form of financial statements even better than they did their own conventional British statements. This undoubtedly was attributable partly to the fact that they had had several opportunities to become accustomed to our methods of presentation, but it was also a fact that they seemed to find our statements freer of the technical jargon which sometimes obscures the best efforts of the accounting profession.

To most of the British business men, the item of most extraordinary interest was our willing and common American practice of reporting sales – as opposed to the more general British refusal to disclose such figures. Without knowing sales volume, we here find financial reports very difficult to interpret, and in making comparisons as between time periods and companies, we have come to believe that the sales figure is absolutely essential for a complete interpretation. The ratio of profit to sales has become one of our most valued tools of analysis – and in these times of rapid change in the value of money, this ratio is, in fact, about the only one which expresses both factors in terms of common, current money values.

One aspect of this difference between practices in the two countries which seems to present an anomaly to some British thinking is that while we are willing to publish sales volume and, therefore, make the information available to our competition, we are, at the same time, commonly supposed to be the suffering victims of a rather vigorous competitive system. In our experience, however, the reporting of sales has never harmed us, and I am, in fact, inclined to believe that it has been a most stimulating influence in creating constructive competition – the kind which induces the creation of more better goods for an expanding economy. We here are much more conscious of what we deem to be the desirability of growth of a total market in which all may compete and all still obtain more business.

On the other hand, I have been led to understand that it is not uncommon practice for British companies to report their sales statistics – and sometimes even their costs – to industry associations including their competitors. In such cases, the unwillingness to report sales publicly must, of course, be attributable to some other reasons than possible competitive harm. In attempting to ascertain what these reasons are, I gathered the impression that tradition coded into regulatory requirements has had the expectable effect of inducing many to report only as little as is mandatory. This, of course, tends to be the general effect of regulatory practices – which may serve to bring some laggards to a minimum standard of performance but more than offset this gain by retarding evolutionary development by the more progressive leaders.

While we are pleased to have the recognition which you and several others have given to our financial statements, we are far from satisfied that we have achieved the ultimate. We shall always look, therefore, with interest to those contributions which British business can and will make in this field.

Yours faithfully,
W. BLACKIE,
OFFICE OF VICE-PRESIDENT,
Illinois, U.S.A. CATERPILLAR TRACTOR CO.

[Mr Blackie has kindly sent us a few copies of his company's 1950 annual report: we shall be pleased to send one to any interested reader. His letter is mentioned in 'Finance and Commerce' in this issue.– Editor.]

Education for the Profession

SIR, – In his observations on form CM3 circulated by the Council of The Institute of Chartered Accountants in England and Wales to members, inviting them to apply for a copy of the report which is now available, your correspondent 'Trentside', makes no reference to the fact that the Carr-Saunders Committee largely ignored the Council of the Institute. Does 'Trentside' approve of this?

It is of course quite possible that varying views are held by individual members of the profession, but the Council has to try to act in the best interests of all, and is surely more qualified to do so.

The question of the 'sandwich' principle and that of age of entry have obviously received the Council's consideration, but the question of 'cheap labour', often misrepresented or misunderstood, reflects the basis of fee-charging in the past, and is a matter for individual firms. Adjustment of fees, salaries and other matters in a period of changing values is not easy.

The identification of articles with cheap labour is not necessarily accurate. From the professional education point of view, and its own prestige, continuity of service and experience as given by articles is what occupies the Institute. Whether or not individual firms reduce articles to mere cheap labour is surely the responsibility of individual firms, not the Institute itself.

If articles are gradually or otherwise superseded, then membership will be by registration. Has 'Trentside' encountered the trouble to which one may be put to prove continuous and adequate experience in these cases, and compared it with the ease of election to membership afforded by articles being completed? Articles are in the articled clerk's best interest.

In his first observation, 'Trentside' says 'Surely a liberal profession cannot hold that progress, change and improvement should stand still'. The Institute has done and is doing, a great deal for its members that is of a progressive nature, but surely it should be permitted to decide for itself. By implication, it is suggested that the putting forward of the Institute's firmly held official view is undemocratic – to use a popular catch phrase. If 'Trentside' and others thought more clearly they would realize that the boot is on the other foot; that it is not democratic, but totalitarian, to impose on the Institute views from outside.

Not the least of persons seeking to push their ill-considered ideas forward, in the name of 'progress' are those who wish to undermine the present prestige of the Institute, and who prefer to get things the easy way. Nothing that is really worth having can be obtained without being worked for.

Apparently 'Trentside' is himself a chartered accountant; presumably he values his qualification and realizes that the present prestige of the Institute is no accident, that it has been worked for and jealously guarded. If so, perhaps on reflection he will agree that it is surely a great pity to see it frittered away by those who may themselves regret their action after it is too late.

Yours faithfully,

Caterham, Surrey. K. H. WEST.

SIR, – Everybody knows that an ounce of practical experience is worth a ton of theory. What students are taught at technical college and university is clearly shown in the text-books and the Carr-Saunders Committee itself draws attention to the literature of commerce on pages 52 and 53 of its report. Defective text-books mean defective tuition and, inevitably, the man who continues his studies after the age of 16, instead of getting out into the world and acquiring practical experience, starts life under a handicap because of what he has to unlearn.

As far as the imparting of knowledge is concerned, my own view is that the correspondence colleges are infinitely more efficient. It is the age-old question of the relative merits of state-aided and private concerns all over again. If a correspondence college is inefficient it suffers losses and goes out of business. Technical colleges and universities may normally be efficient but there would appear to be little to prevent them from being inefficient. I certainly have never seen the howlers, that appear occasionally in text-books written by university men, in the study notes of the correspondence colleges.

It should not be imagined that the inaccuracies in text-books are always unimportant. Will the student who has to embark on further state-aided education become a better member of the profession if he is taught that when a company is formed the memorandum and articles must be lodged with the Registrar-General, that it is not necessary for a private company to hold an annual general meeting, that one-man businesses are not to be found in large towns but only in small villages, that to obtain accurate costings a firm must prepare a balance sheet of profit and loss, that a bank account must be called a chequery because it is a breeding place and a homing ground for cheques as a rookery is for rooks?

Yours faithfully,

M. STRIKER, B.SC.(ECON.), F.C.A.,

London, W1. A.C.W.A., F.R.ECON.S., F.T.I.I.

SIR, – 'Trentside' has introduced some important considerations in regard to the position taken up by the Council of The Institute of Chartered Accountants on the subject of education in the profession.

As a qualified accountant, with experience in the profession, on the staff of a coaching establishment and later as a lecturer in a technical college, I have an especial interest in this matter.

The admirably compiled report on 'Education and Training for Membership', recently published by the Council of the Institute gives much food for thought. The high standard of training and examinations which the Institute and other professional bodies seek to maintain for their entrants, is recognized. It is unfortunate, therefore, that the Council should be unappreciative of the broad principle which emerges from the recommendations made in the Carr-Saunders report. Whilst seeking to maintain existing standards this report envisages the broadening of professional education and its conduct under conditions providing greater personal contact than has hitherto been the case.

The recommendations made by the Carr-Saunders Committee include, *inter alia*,

(1) Deferment of professional studies until the age of eighteen.
(2) The reorganization of the scheme for the award of national certificates for commerce, so that the holders of such certificates may be granted exemptions in whole or in part from the intermediate professional examinations.
(3) The preparation of students in technical colleges for all professional examinations.

The Council in their report are very critical of these recommendations. There is however, nothing unreasonable in the first point. At the age of 16 a student is usually very immature, and it is not desirable that he should make an immediate decision as to his future vocation. Nor do I see that such a change would seriously affect the Institute's system of training under articles. It would simply restrict the entry until a later date.

The acceptance of the second point would enable a young student to take a general commercial course

sufficiently broad in content to include the basic subjects required for professional qualifications. The acceptance of certificates gained by students taking such a course as a basis of exemption in whole or in part from the Intermediate examinations of the various professional bodies requires the maintenance of equivalent standards and a careful selection of the subjects to be taken. The professional bodies concerned would be able to ensure that the standards and contents of such courses were satisfactory through their representation on the Joint Committee contemplated by the Carr-Saunders report.

In regard to the third point the Council considers that the courses provided by coaching establishments should remain the main source of tuition, and indicates that most students avail themselves of this method. These institutions are well established whilst the provision of tuition for professional examinations by technical colleges is a more recent development. Many students are still doubtless unaware that facilities exist for taking complete courses for professional studies at the main technical colleges. The latter, whilst wishing to attract students, do not employ the costly methods of advertising which are such a prominent feature in the recruitment policies of coaching establishments, the value of whose courses cannot be gainsaid. Nevertheless there is a serious disadvantage to this method of tuition in the lack of personal contact between tutor and pupil. No correspondence tutor can properly assess the progress of each individual student, whereas the lecturer in a technical college knows his students and takes action as soon as difficulties arise. The students are also working together and the atmosphere is more congenial than that of the lone student working on a correspondence course. It is well, I think, to underline the observations of the Carr-Saunders Committee on this point. 'Nothing can compensate for lack of such personal contact; education without it, however successful as judged by examination results, is seriously defective'.

The Council in its report has argued uncompromisingly for the maintenance of the present system of professional education, but there appears to be an underlying note of resistance to change which is the more difficult to understand in view of the safeguards which can be secured under the proposed recommendations through representation on the Joint Committee.

Yours faithfully,

Great Baddow, Essex. A. W. FRYER.

Director: Profits Tax

SIR, – In answer to 'Jumbo's' problem in your issue of April 14th I consider that notwithstanding the fact that the governing director holds under 5 per cent of the ordinary share capital, he will not be deemed to be a whole-time service director unless in fact he serves the company in such capacity. Whether he is 'required to devote substantially the whole of his time to the service of the company in a managerial or technical capacity' (I quote paragraph 13 (*c*) of the Fourth Schedule to the Finance Act, 1937) must, I submit, be a question of fact; and as to this the wide powers which he enjoys as governing director would not, I think, conclude the matter one way or the other.

I consider therefore that the problem resolves itself into that of satisfying the Revenue that the necessary facts exist. The best evidence of these facts would, of course, be a service agreement incorporating a suitable clause regarding the amount of time which the director concerned has to devote to the service of the company. In the absence of such written agreement it might no doubt be possible to overcome the difficulty by adducing evidence of an oral agreement, if there be one, containing provisions to the effect mentioned above.

Yours truly,

London, NW8. JOHN W. BANKES.

Method of Charging Mortgage Interest

SIR, – Your correspondent Mr William L. Newton, whose letter on this subject appeared in your issue of April 14th, might be interested to know that some years ago a well-known building society charged, in connexion with a twenty-year repayment mortgage, the borrower's account at the beginning of each year for the first five years, with interest on the *original sum borrowed*.

In consequence, the reduction of the capital sum was retarded for five years, and the borrower was in effect restrained from transferring his mortgage at a lower interest rate at a time when interest rates were falling.

The mortgage deed simply stipulated the payment of a fixed monthly sum for twenty years, the rate of interest not being mentioned.

Such a method, undisclosed to the borrower, was to my mind most unjust.

Yours faithfully,

MORTGAGOR.

SIR, – Your correspondent Mr William L. Newton raises in your issue of April 14th the question of interest on monthly payments of a fixed amount in respect of a building society (or similar) mortgage. Comparison of the interest as it is usually calculated by building societies, at yearly intervals, with interest calculated at monthly intervals (the strictly equitable method) reveals that over the period of the loan the excess interest amounts roughly to six months' interest on the original principal.

In the first year the excess consists of six months' (approximate) interest on the amount by which the principal is reduced (not, of course, the total of the payments). As the years go by the amount by which the principal is reduced increases, and of course at the end of the period of the loan, amounts in total to the amount of the original loan. Each year the amount of the reduction in principal is the amount on which approximately six months' interest is charged

in excess: this excess thus amounts in all to six months' (approximate) interest on the total of the loan.

One imagines that if the building societies were asked to calculate the interest monthly they might make a small charge for the extra work involved – say six months' interest on the initial principal!

Yours faithfully,

Keynsham, Bristol. J. R. EVENS.

SIR, – I have recently been negotiating a house-purchase loan with a building society and previously obtained a large quantity of literature, repayment tables, etc., from the various societies, all of which state that repayment of the loan is by twelve monthly instalments of principal and interest, and that the rate of interest is 4 per cent per annum.

It came as a great surprise to learn (but not until after considerable research) that in all cases, with one notable exception, the interest was calculated by reference to yearly rests, that is to say the interest payable for any one year was calculated at 4 per cent on the balance of the loan outstanding as at the *commencement* of that year. Although objection cannot be taken to this method it appears to me that it is nothing less than gross misrepresentation for the building societies to describe interest on these loans as being at 4 per cent per annum when in fact it is appreciably more. In the particular case I have in mind the difference payable by the borrower over the term of the loan (twenty to twenty-two years) was £178 12*s* 0*d*.

However, I must in fairness say that on one of the repayment tables the following note appears:

> 'At the end of the society's financial year a new interest figure is furnished for each account based on the year-end debit and operates for the ensuing twelve months'.

It would appear that some such statement should surely be made on *all* building society literature in respect of loans on which interest is charged at 4 per cent, and which is calculated by reference to yearly rests.

I was, to say the least of it, amazed to find that this was the case, and mentioned the matter to two members of my profession who have been in practice for a considerably longer period than I have myself. It transpired that they too were under the impression, as I was, that in *all* cases interest on house purchase loans received from building societies was calculated by reference to monthly rests.

It would be interesting to know what you and your readers think of this matter, and if by any chance it has been raised with the Building Societies' Association in the past.

For various reasons I wish to sign myself

ENQUIRER.

[The Secretary of The Building Societies' Association writes: To calculate interest by annual rests is the long-standing practice of the great majority of building societies and, as one of your correspondents points out, the extra cost of providing borrowers with the convenience of monthly repayments is a point to be borne in mind. Societies usually state the method of calculation in their advance prospectus or elsewhere, though it is not easy to explain the method both clearly and briefly to those unfamiliar with such calculations. The attention of the Council of the Association will be drawn to this correspondence so that the Council may, if it thinks it necessary, issue recommendations on the matter.]

Estate Duty: Valuation of Shares

SIR, – I am engaged in correspondence with the Estate Duty Office regarding the valuation for estate duty purposes of shares in a private limited company.

The company is a family business of builders' merchants with a number of retail shops which are managed by members of the family who are the directors of the company.

The remuneration and bonuses paid to the five full-time working directors, and other wages and bonuses paid to the staff, total approximately 16 per cent of the total turnover amounting to £75,000.

I am concerned to ascertain how this compares with similar businesses in the same trade and shall appreciate information thereon.

Yours faithfully,

J. T. K.

An 1836 Examination Question

SIR, – This question was set in an examination paper in mathematics at University College, London, in June 1836:

> 'The mean between the amounts of a person's income in two successive years increases in arithmetic progression. If he invests half of his income every year at compound interest, what will be the amount of his investments at the end of any year?'

Yours faithfully,

Edgware. H. EDWARDS.

Solicitors and Accountants: Formation of Companies

SIR, – I was interested in the letter of Mr McCombie on this matter, which appeared in your issue of April 28th.

In my experience, where solicitors form companies to take over existing businesses, it has occasionally been that the accountant has not known of it until the vending agreement has actually been completed; and, in these days of inflation, it has more often than not been the case that additional assessments have been necessary for income-tax. However, where clients have asked my advice first, if the matter has been other than straightforward and there have been complications in shareholdings, or considerations other than the normal acquisition of a private firm by a company, I have always insisted that my clients' solicitors should be consulted to approve the proposed

transaction and draw up any necessary agreement for the vending etc., which an accountant, of course, cannot do.

To my knowledge, several accountants avoid any question of rivalry or ambiguity as to instructions by making the subscribers and first directors from their own staffs and transferring shares to the interested parties after incorporation.

I agree with your correspondent that the matter should be clarified between the two professions.

Yours faithfully,

Manchester, 2. J. ROSS.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS

REPORT FOR 1950

The sixty-sixth annual report of the Council and accounts for the year 1950, will be presented at the sixty-sixth annual general meeting to be held at the Hall of the Chartered Auctioneers' and Estate Agents' Institute, 29 Lincoln's Inn Fields, London, WC2, on Wednesday, May 23rd, 1951, at 2.30 p.m.

President and Vice-President

At a meeting of the Council held on Wednesday, May 24th, 1950, Mr Albert Stuart Allen, London, and Mr Charles Percival Barrowcliff, Middlesbrough, were re-elected President and Vice-President respectively for the ensuing year.

Membership

	Fellows	Associates	Hon. Members	Total
As at December 31st, 1948	1,810	6,371	1	8,182
As at December 31st, 1949	1,890	6,604	2	8,496
Add				
New Members	3	442		445
Transferred from Associateship	109			109
Readmissions	1	8		9
	2,003	7,054	2	9,059
Deduct				
Transferred to Fellowship		109		109
Resignations	11	23		34
Deaths	53	65	1	119
Other Causes	3	7		10
	67	204	1	272
As at December 31st, 1950	1,936	6,850	1	8,787
Members in practice	1,536	1,725		3,261
Members not in practice	400	5,125	1	5,526
	1,936	6,850	1	8,787

Obituary

The Council records with regret the deaths of the members whose names are given in an appendix.[1] Reference was made in the report for 1949 to the great loss which the Society suffered by the death of Mr Charles Hewetson Nelson, and the Council now desires to pay special tribute to the services rendered by: Mr Henry John Burgess, admitted 1892 (Member of the Council 1927–40); Mr Alfred Newton Foot, admitted 1904 (Member of South African Western branch 1920–50); Mr Herbert Philip Gowen, O.B.E., admitted 1901 (President, East Anglia District Society 1932–35 and 1947–49); Mr Arthur Henry Hughes, admitted 1904 (Auditor of the Society 1927–50); Mr Archibald Thomas Keens, admitted 1920 (Vice-Chairman, London District Society in 1949); Mr Charles Hatfield Tranmer, admitted 1930 (Hon. Secretary, Hull District Society 1945–49); Mr Ernest George White, admitted 1921 (President, Swansea and South Wales District Society 1948–50). The death on February 5th, 1951, of Mr Alfred Harman Edwards, a member of the Society since 1909 and of the Council since October 1949, is also recorded with deep regret.

[1] Not reproduced.

Honours and Awards

The Council congratulates the following members whose names appeared in recent Honours Lists:

Knight Bachelor

Nixon, Edwin Van-der-Vord, C.M.G., Fellow (Melbourne.)

C.B.E.

Crosier, Frank Henry, O.B.E., Associate (Esher); Jones, Charles Edward Irvine, Associate (London); Larking, Charles Gordon, Associate (Maidstone).

O.B.E.

Gradon, Oswald, Associate (London); Kent, Arthur William, Associate (Nairobi); King, Percy Gordon, Associate (Bristol); Ross, Alexander Lewis, Associate (Edinburgh); Stafford, Percival Herbert, M.M., Fellow (Newport, Mon.).

M.B.E.

White, Ernest George, Associate (Blackpool).

I.S.O.

Bird, Charles Edward Lear, Associate (London).

Examinations

Examinations were held in May and November 1950, at Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London and Manchester. While in 1950 the number of candidates who presented themselves for the examinations was 13 per cent higher than in 1949, the percentage of successful candidates was 5 per cent lower.

The particularly disappointing results of the May 1950 Final examination were reviewed by the Council in a statement published in the August 1950 issue of *Accountancy*. However, the percentage of successes in the November Final examination showed an appreciable improvement. It may be commented that of the 455 candidates who failed the previous examination, only 181 again presented themselves in November.

Of the unsuccessful Final candidates in 1950, 57 per cent had been granted exemption from the Intermediate examination under war service concessions.

The results of the examinations held during the past four years are as follows:

	Final		Intermediate		Preliminary		Total	
Year	No. of Candidates	Passed %	No. of Candidates	Passed %	No. of Candidates	Passed %	No. of Candidates	Passed %
1947	664	224–34	400	165–41	125	45–36	1,189	434–37
1948	969	399–41	763	295–39	144	59–41	1,876	753–40
1949	1,060	484–45	1,164	583–50	209	95–45	2,433	1,162–48
1950	1,163	435–37	1,356	651–48	235	88–37	2,754	1,174–43

Honours Certificates

Prizes and honours certificates were awarded to the following candidates:

FINAL EXAMINATION

First Certificate of Merit

Morris, David Stanley, London (Prize); May 1950

Scarfe, Peter, Norwich (Prize); November 1950

Second Certificate of Merit
Blakemore, Geoffrey, Radcliffe; May 1950
Johnson, Cyril Stanley, London; May 1950
Tucker, Arthur Edwin, Barnstaple (Prize); November 1950

Third Certificate of Merit
Murch, Robert Charles, Harrogate (Prize); November 1950

Fourth Certificate of Merit
Daglish, William Edward, Newcastle upon Tyne; November 1950

INTERMEDIATE EXAMINATION

First Place Certificate
Mather, Derek, Liverpool (Prize); May 1950
Gibson, Peter John, London (Prize); November 1950

Second Place Certificate
Acharya, Senapur Panduranga, B.COM., Bombay (Prize); May 1950
Marriott, James Alan, London; November 1950

Third Place Certificate
King, Gerald James, Newton Abbot (Prize); May 1950
Hedges, Joseph Askew, Canterbury; November 1950

Fourth Place Certificate
Huxley, John, Stalybridge; May 1950
Waudby, Roy, Hull; November 1950

Fifth Place Certificate
Gooch, Alan, Hull; May 1950
Davis, Desmond Frederick, Brighton; November 1950

Sixth Place Certificate
Reeve, Kenneth Charles, London; May 1950
Harrison, James Francis, Nottingham; November 1950

Seventh Place Certificate
Cohen, Leslie Harold, London; May 1950

Eighth Place Certificate
Tovel, Lawrence, London; May 1950

Ninth Place Certificate
Blackie, Bruce Robert Roper, Seaton; May 1950

Tenth Place Certificate
Evans, Frederick Leonard, Stony Stratford; May 1950

Eleventh Place Certificate
Renville, Ronald Richard, Reading; May 1950

Twelfth Place Certificate
Peck, Julian Forbes Arbuthnott, Edinburgh; May 1950

PRELIMINARY EXAMINATION

First Place Certificate
Attwell, Colin Frost, Northampton (Prize); May 1950
Shapiro, David Leon, London; November 1950

Medals and Prizes

The following awards were made by the Council:

The Gold Medal for the 1950 Final examinations to Peter Scarfe, with Larking & Larking, Norwich.

The Silver Medal for the 1950 Final examinations to David Stanley Morris, articled to Mr Leonard R. Treen (Martin, Farlow & Co), London. The Arthur E. Piggott (Manchester) Prize for special merit in accountancy and auditing in the 1950 Final examinations was also awarded to Mr Morris.

The Henry Morgan Memorial Prize for meritorious work in the group of accountancy subjects in the 1950 Final examinations to Arthur Edwin Tucker, with Charles Henry Symons & Co, Barnstaple.

The Sir James Martin Memorial Exhibition in respect of the May 1950 Intermediate examination to Kenneth Charles Reeve, articled to Mr F. Leslie Duck (Duck, Mansfield & Co), London; and in respect of the November 1950 Intermediate examination to Anthony William Gross, articled to Mr F. L. Rouse (F. L. Rouse & Co), Beaconsfield.

Articled Clerks and Bye-law Candidates

During the year 559 articles of clerkship were registered and 804 bye-law candidates were enrolled. The figures for the past three years are:

	Articled Clerks	Bye-law Candidates	Total Candidates enrolled
1948	570	768	1,338
1949	538	771	1,309
1950	559	804	1,363

Articles of Clerkship

A booklet, which embodies the Society's regulations governing articles of clerkship and emphasizes the important obligations undertaken by both the employer and the articled clerk, is now issued to each principal prior to the execution of articles.

Examination Syllabus

The revised examination syllabus, which will become operative in November 1951 was included in the report for 1949. As announced in the March 1951 issue of *Accountancy*, the syllabus for the May 1951, and subsequent Intermediate examinations has been modified by the elimination of questions relating to 'consolidated accounts.'

Preliminary Examination Exemption

On the recommendation of the Examination and Membership Committee, the Council has decided that exemption from the Society's Preliminary examination shall be granted to applicants who hold a General Certificate of Education, or a Scottish Leaving Certificate, or a Senior Grammar School Certificate of Northern Ireland, subject to the following conditions:

General Certificate of Education

(*a*) that the certificate contains a pass at the ordinary level in English or English language, mathematics (not arithmetic alone), and three other subjects, of which one must be history or geography; or

(*b*) that if either English or mathematics is taken at the advanced standard the certificate need contain only English or English language, mathematics (not arithmetic alone), and two other subjects.

Scottish Leaving Certificate

(*a*) that the certificate contains a pass in the lower grade in English, mathematics (not arithmetic alone), and three other subjects, of which one must be either history or geography; or

(*b*) that if two of the passes are in the higher grade the certificate need contain only English, mathematics (not arithmetic alone), and two other subjects.

Senior Grammar School Certificate of Northern Ireland

At present a candidate for this examination is required to pass in five subjects at one and the same examination, but as from 1952 he will be required so to pass in six subjects. For exemption from the Society's Preliminary examination, the certificate, both now and after 1952, must include a pass in mathematics.

Deferment of National Service for Preliminary Examination

Deferment of national service in order to allow a candidate to sit for the Society's Preliminary examination is designed to help those who leave school before they can take the prescribed examinations. Deferment is not granted to a candidate who could have taken the examinations while at school. The latest regulations of the Ministry of Labour and National Service make it clear that deferment of national service until the age of 20 for the purpose of taking the Society's Preliminary examination is normally restricted to a candidate who leaves school before his seventeenth birthday. A candidate leaving school between his seventeenth and eighteenth birthdays can obtain deferment only if he can produce evidence of illness or other reasonable cause for not attaining the required standard of general education. Deferment is not granted to any candidate for the Preliminary examination if he leaves school after his eighteenth birthday.

Class G and Class Z Reservists

The Council understands that sympathetic consideration will be given to an application for deferment of recall from

a Class G or Class Z reservist whose recall would seriously interrupt his studies for the Final examination.

It is believed that, when considering such an application, the authorities will take into consideration the time available between the completion of the fifteen days' training and the date of the examination. It is understood that it is unlikely that deferment will be granted in the case of a recall in May, June or July if the examination is not to take place until November.

Dinner and Presentation to Mr and Mrs A. A. Garrett

A dinner in honour of Mr and Mrs Garrett was held in London on the evening of the last annual general meeting (May 24th, 1950). The President of the Society and 370 members and guests were present to welcome Mr and Mrs Garrett on their return from their tour of Australia, New Zealand and South Africa.

To commemorate Mr Garrett's memorable secretaryship of the Society from 1919 to 1949, a gift of silver and a cheque were presented to Mr and Mrs Garrett. Subscriptions had been sent by members in all parts of the world to the fund organized on behalf of the Council by Mr Edward Baldry.

District Societies

The annual conference between representatives of branches and district societies and members of the Council was held in London on May 25th, 1950.

In the past year some 380 lectures were arranged for members and students in the United Kingdom and the Republic of Ireland; discussion groups and tuition classes were organized in a number of districts to help students in their studies for the Society's examinations.

The Council is most appreciative of the work of branches and district societies and is indebted to honorary secretaries for their services.

Mr C. M. Foxon, F.S.A.A., became the Honorary Secretary of the Nottingham, Derby and Lincoln District Society on the resignation of Mr J. B. Carter, F.S.A.A. Mr T. W. Dresser, F.S.A.A., resigned from the Honorary Secretaryship of the Yorkshire District Society – an office he had held for no less than 34 years – and was succeeded by Mr D. McMichael, F.S.A.A. The Council warmly thanks both Mr Carter and Mr Dresser for their work on behalf of the Society, its members and students.

Incorporated accountants everywhere are urged to give full support to the activities organized by local committees.

Australian Branch

Following Mr Garrett's tour of Australia and New Zealand, which was recorded in the 1949 report, liaison with the Australian Branch was maintained by the visit during 1950 of Sir Richard Yeabsley to Melbourne and Sydney. The warm reception and generous hospitality extended to Sir Richard and Lady Yeabsley by members of the Australian branch, the Commonwealth Institute of Accountants and the other accountancy bodies is keenly appreciated by the Council.

In November 1950 the President and Council had the pleasure of entertaining Professor Gordon Wood, formerly Dean of the Faculty of Economics and Commerce in the University of Melbourne, when he visited this country on behalf of the Carnegie Corporation to investigate post-graduate schools of business administration.

South African Branches

The main activities of the Committees of the South African Branches are reflected in the summary of the 1950 report of these Branches in an appendix.[1] The Council desires to record its deep appreciation of the work of these committees and of the welcome and hospitality extended to Mr and Mrs Garrett during their tour of South Africa early in 1950.

Ashridge and Balliol Courses

A course devoted to taxation was held at Ashridge from Friday, June 23rd, to Tuesday, June 27th, 1950, and was attended by 108 members. Addresses were delivered by Mr Wyn Griffith on 'The relationship between the Inland Revenue and the profession' and by Mr F. Heyworth Talbot, K.C., on 'Conduct of appeals'. Papers were submitted by: Mr Frank Bower, C.B.E., M.A., on 'Taxation of foreign income'; Mr J. S. Heaton, F.S.A.A., on 'Profits tax'; Mr P. F. Hughes, A.S.A.A., on 'Back duty cases'; Mr J. R. Paramour, F.C.A., F.S.A.A., on 'Income-tax and sur-tax with particular reference to settlements and private companies'; Mr B. R. Pollott, M.A., A.C.A., A.S.A.A., on 'Double taxation'; Mr H. A. R. J. Wilson, F.C.A., F.S.A.A., on 'Income Tax Act 1945: capital allowances'.

Prints of these papers were sent to all members of the Society in the United Kingdom.

A further course, held at Balliol College, Oxford, from Thursday, September 14th, to Tuesday, September 19th, 1950, was attended by 119 members. An address was delivered by Mr Richard A. Witty on 'Standards of professional life', and a discussion on 'Stock valuation' was led by Mr Bertram Nelson, Mr John Ainsworth and Mr E. H. Davison, A.C.A. Papers were submitted by: Mr K. W. Bevan, A.C.A., on 'The structure of industrial accounts'; Dr D. J. Bogie, B.COM., C.A., on 'Group accounts'; Mr Frank Bower, C.B.E., M.A., on 'A perspective of taxation'; Mr John B. Braithwaite, Chairman of the Stock Exchange, on 'Financing companies under present-day conditions'; Mr J. Latham, C.B.E., A.C.A., on 'Financial and accounting problems of nationalized industries'; Mr J. D. Nightingirl, A.S.A.A., and Mr N. Cassleton Elliott, M.A., A.C.A., on 'Machine accounting systems for the small concerns'; Mr John Ryan, C.B.E., M.C., on 'What I expect from the accountant'; Mr H. A. R. J. Wilson, F.C.A., F.S.A.A., on 'Taxation'.

The Council records its gratitude to the above and to the Governors and Principal of Ashridge and the Master and Fellows of Balliol College for the facilities accorded to the Society.

[1] Not reproduced.

Incorporated Accountants' Hall

For the past two years premises at 12 Milford Lane, Strand, WC2, have been used as the temporary headquarters of the Society pending the restoration of Incorporated Accountants' Hall, the completion of which is expected during the summer.

It is to be regretted that, despite the inadequacy of the accommodation in the restored Hall, the approval of plans for its extension has been withheld for the time being by reason of the national exigencies.

A warm tribute is due to those engaged on the difficult task of restoring Incorporated Accountants' Hall, in particular to Sir Percy Thomas, P.P.R.I.B.A., the Society's architect.

Disciplinary Committee

During 1950 one member was excluded from the Society under Articles 34 and 35, and two members were censured by the Disciplinary Committee under Article 32.

Accountants' Joint Parliamentary Committee

The Accountants' Joint Parliamentary Committee continued its task of examining all parliamentary measures relating to the qualification and status of auditors.

As a result of representations made in January 1949 to the Registrar of Friendly Societies, a revised scale of maximum fees for approved auditors under the Industrial and Provident Societies Acts and Friendly Societies Acts was introduced with effect from January 1st, 1951. The revised scale was published in the June 1950 issue of *Accountancy*.

A change has also been made in the conditions of appointment of approved auditors. Under the revised conditions recently announced, appointments are for an indefinite period, subject to three months' notice of termination. In future, therefore, they will cease – apart from death – only when notice is given by the Treasury or when the approved auditor himself gives notice that he wishes to relinquish the appointment.

Draft Public Accountants' Bill

In his address at the annual meeting on May 24th, 1950, the President explained the reasons for the decision of the Council not to proceed further with the draft Public Accountants' Bill which had been approved by members of the Society and other sponsoring bodies at extraordinary general meetings in 1946. Since then alternative proposals for the regulation of the profession have been under consideration by the joint committee of the sponsoring bodies. If, as the Council hopes, the present discussions prove successful and agreement is reached between the accountancy bodies and Government departments, detailed proposals will be placed before members of the Society and other sponsoring bodies for their approval.

Sixth International Congress on Accounting

Preparations for the Sixth International Congress on Accounting, to be held in London during the week commencing June 16th, 1952, are now in hand.

As one of the sponsoring bodies, the Society is represented on the Congress Council by Mr A. Stuart Allen, Mr C. Percy Barrowcliff, Sir Frederick Alban and Mr Bertram Nelson. Mr H. Garton Ash, O.B.E., M.C., President of the Institute of Chartered Accountants in England and Wales, is Chairman of the Congress Council, and Mr A. Stuart Allen is Vice-Chairman.

Inland Revenue: Extra-Statutory Concessions

In March 1949 a memorandum regarding extra-statutory concessions and certain other matters was submitted to the Board of Inland Revenue by a joint committee of the Institute of Chartered Accountants in England and Wales, the Society, the Scottish Chartered Bodies and the Association of Certified and Corporate Accountants.

In a memorandum submitted by the Society in February 1949 to the committee appointed under the chairmanship of Sir Eric Bamford to review the organization and administrative methods of the Inland Revenue department, reference was also made to the unsatisfactory means whereby administrative concessions became known to taxpayers and their advisers.

It is, therefore, satisfactory to observe that the ninety-third report of the Board of Inland Revenue contains an appendix giving a list of extra-statutory concessions in operation at the end of 1949, and that additions to, and deletions from, the list are to be published annually in future reports. The list was reproduced in the February 1951 issue of *Accountancy*.

Taxation Treatment of Provisions for Retirement

In August 1950 the Chancellor of the Exchequer appointed a committee under the chairmanship of Mr John Millard Tucker, K.C., with the following terms of reference:[1]

The views of the Society were submitted in a memorandum drafted by the Taxation Sub-Committee of the Research Committee with the assistance of district societies and individual members with special taxation experience. The memorandum was published in the March 1951 issue of *Accountancy*.

Incorporated Accountants' Research Committee

The Incorporated Accountants' Research Committee was reconstituted during the year, and an executive committee was formed under the chairmanship of Mr Bertram Nelson to co-ordinate the work of the Practice, Taxation and Management Accounting Sub-Committees, of which the respective chairmen are Mr A. C. Simmonds, F.S.A.A., Mr James S. Heaton, F.S.A.A., and Mr P. G. James, B.COM., F.S.A.A.

This reorganization has resulted in a wider representation of district societies on the Committee and the Council hopes that an increasing number of members will voluntarily undertake research work in their respective localities under the general guidance of the Committee.

[1] Not reproduced.

The Executive Committee was responsible for the taxation course held at Ashridge in June 1950 and for the publication of papers presented. In collaboration with the Institute of Municipal Treasurers and Accountants and Exeter University College, research has continued on national comparisons and other aspects of local government finances. The Executive Committee has also continued to co-operate with the Boot and Shoe Research Association and the Federation of Boot and Shoe Manufacturers in the investigations, which were initiated by the Leicester District Society, into costing methods in the boot and shoe industry.

As already stated, the Taxation Sub-Committee prepared the Society's memorandum on retirement benefits for submission to the Millard Tucker Committee. It is now devoting its attention to the compilation of evidence for the Royal Commission on Taxation.

A series of practice notes for the use of members is in preparation by the Practice Sub-Committee, and arrangements for publication will be announced in *Accountancy*. Other subjects at present receiving the attention of the Sub-Committee include the technique of auditing, the valuation of goodwill and accounting ratios.

As announced in the November 1950 issue of *Accountancy*, the Management Sub-Committee, formed after a meeting in London of members in industry and commerce, has begun work on the requirements of management from the financial and accounting function.

By courtesy of Sir Hilary Jenkinson, Deputy Keeper of the Public Record Office, an interesting exhibition of accounting records from medieval times was arranged in December 1950 for members of the Research Committee.

Incorporated Accountants' Research Committee Prize Scheme

The Committee awarded two prizes of fifty guineas each to Mr W. E. Spruce, A.S.A.A., London, and Mr W. Cowley, A.S.A.A., London, for their respective theses on 'The integration of standard and current cost for profit measurement', and 'A study of government accounting reform'. For a paper on 'Some factors affecting the economy and efficiency of European agricultural methods in Southern Rhodesia', Mr A. J. L. Lewis, A.S.A.A., was highly commended.

Accounting Research

Under the joint editorship of Mr F. Sewell Bray and Mr L. T. Little, *Accounting Research* has so increased its scope and influence that in future the journal will be published quarterly instead of half-yearly.

The 1950 issues contained the following articles:

'Scientific method in auditing', by Lawrence Vance; 'Consolidated accounts and their similarity to partnership accounts', by B. J. S. Wimble; 'Accounting and taxation in Sweden in relation to the problem of inflationary profits', by Per V. A. Hanner; 'The Exchequer accounts', by Harry Norris; 'Notes on Accounting History' by Mary E. Murphy; 'The effects of Local Government Act, 1948, and other recent legislation on the finances of local authorities', by a Research Working Party; 'Undistributed profits as a source of company finance', by R. W. Moon; 'The use of sampling methods in national income statistics and social accounting', by Richard Stone, J. E. G. Utting and J. Durbin; 'The classification of assets', by A. A. Fitzgerald; 'American experience in personal testing for accounting work', by Harold Caffyn and Arthur E. Traxler; 'Replacement cost depreciation', by A. R. Prest; 'Executorship accounting reconsidered', by F. Sewell Bray and Thomas Kenny; 'Direct taxation and the inflationary and deflationary effects of fiscal policy', by L. T. Little.

Accounting Research (price 7*s* 6*d* per issue or 25*s* per volume) is sponsored by the Research Committee and is published by the Cambridge University Press.

'Accountancy'

Accountancy continues to make satisfactory progress. There is evidence that the journal is of increasing value to members of the profession, whether in practice, in industry or in Government service, and to a widening circle of other interests. The circulation figures showed an expansion of 13 per cent in 1949, and of a further 15 per cent in 1950. This progressive expansion occurred despite the advance in the subscription rate from 12*s* 6*d* to 17*s* 6*d* per annum at the beginning of 1950.

Preparation of Memoranda and Articles of Association

The Council of the Society of Incorporated Accountants has been in correspondence with the Law Society with reference to the preparation of memoranda and articles of association for companies. The Council is advised that a member of the Society who prepared a memorandum and articles of association would not, by so doing, be infringing the law, but the Council is nevertheless of opinion that a member should not draft or settle the documents in final form, any suggestions he makes being with a view to assisting the legal advisers responsible for putting them into legal form.

Anglo-American Council on Productivity

During 1950 an accounting team – under the auspices of the Anglo-American Council on Productivity – visited America to study works accounting and cost control methods. The Society nominated Mr G. A. Culverwell, A.S.A.A., as a member and contributed towards the expenses of the team.

The report of the team entitled 'Management accounting', was published in November 1950 and attracted wide attention. Since their return members of the team have addressed meetings of the Society and other bodies in various parts of the country.

Appointments

During the past year, members of the Society have received the following appointments:

Mr A. Dunstan Adams, O.B.E., M.C., T.D., Nairobi: President of the Association of Accountants in East Africa and Honorary Colonel of the Kenya Regiment.

Mr W. Adams, Wolverhampton: President of the Institute of Municipal Treasurers and Accountants.

Sir Frederick Alban, C.B.E., Cardiff: Chairman of the Welsh Regional Hospital Board (reappointed for three years); member of the Abitration Tribunal under the Iron and Steel Act, 1949.

Mr Oliver Greenwood, London: Mayor of Barnes.

Mr V. J. H. Harris, Northampton: President of the Northampton and County Chamber of Commerce.

Mr Thomas Haworth, London: member of the Peterlee Development Corporation.

Sir John Imrie, C.B.E., Edinburgh: member of the Committee of Inquiry into Anglo-Scottish Statistics.

Mr A. E. Middleton, London: member of the Hops Marketing Board.

Mr F. E. Price, Newport, Mon.: member (part-time) of the Area Gas Board for Wales.

Mr Alton Ward, Bradford: Lord Mayor of Bradford.

Sir Richard Yeabsley, C.B.E., London: member of two committees appointed by the Board of Trade to consider and advise on the supply position of utility cotton goods and utility rayon goods respectively; reappointed as an independent member of the Clothing Industry Development Council.

Council

The following members of the Council retire and offer themselves for re-election under Article 49: Mr John Ainsworth, M.B.E., Sir Frederick Alban, C.B.E., Mr Albert Stuart Allen, Mr Charles Percival Barrowcliff, Mr Robert Bell, Mr Henry Brown, O.B.E., Mr Cecil Aubrey Gist Hewson, Mr Frederick Arthur Prior, Mr Henry Smith, Mr Joseph Stephenson, O.B.E.

Mr Robert Edward Starkie and Mr Richard Alfred Witty, also retire under the provisions of Article 49, whilst Mr Edward Cassleton Elliott and Mr Arthur Herbert Walkey have to retire under the provisions of Section 185 of the Companies Act, 1948. Special notice has been given to the Society in respect of each of these four members of the intention to propose at the annual general meeting on May 23rd, 1951, that, notwithstanding his age, he be re-elected to hold office in accordance with the articles of association of the Society.

The appointments of Mr James Paterson and Mr Peter Grant Scott Ritchie, who hold office under Article 40 (*a*) of the Society's articles of association as members of the Council elected from among the members of the Scottish Institute of Accountants (being the Scottish Branch of the Society), are also subject to the provisions of Section 185 of the Companies Act, 1948, and similar special notice has been given of the intention to propose the re-election of each of these two members at the annual general meeting on May 23rd, 1951.

The requisite notice required to be given by the Society in respect of all six Council members concerned will be found in the notice of the annual general meeting.

In accordance with the provisions of Article 48, the Council appointed Mr Hedley John Bicker to fill the vacancy on the Council caused by the death of Mr A. H. Edwards. A formal resolution for the election of Mr Bicker will be submitted to members at the annual general meeting in May 1951.

Assistant Secretary

In July 1950 Mr James Darrell Nightingirl, A.S.A.A., was appointed Assistant Secretary of the Society.

Auditors

In accordance with Article 89, the Council appointed Mr James Atkinson Allen, Fellow, London, to fill the vacancy caused by the death of Mr Arthur H. Hughes. Mr Allen and Mr Stanley I. Wallis have notified that they are willing to continue in office as auditors.

Accounts

The audited accounts of the Society for 1950 are annexed.[1]

A. STUART ALLEN, *President.*
C. PERCY BARROWCLIFF, *Vice-President.*
I. A. F. CRAIG, *Secretary.*

Incorporated Accountants' Hall,
London, WC2. *April 17th, 1951.*

[1] Not reproduced.

THE INCORPORATED ACCOUNTANTS' BENEVOLENT ASSOCIATION

FIFTY-EIGHTH ANNUAL REPORT OF THE TRUSTEES

Extracts from the fifty-eighth annual report and accounts[1] of the trustees for the year ended December 31st, 1950, to be presented at the annual meeting of subscribers to be held at the Hall of the Chartered Auctioneers' and Estate Agents' Institute, Lincoln's Inn Fields, London, WC2, at 4 p.m. on Wednesday, May 23rd, 1951.

The revenue of the Fund at £3,188 shows a decrease of £135 as compared with that for 1949, largely due to the reduction in the interest received on the investments now held. Life subscriptions and donations, which under the rules are added to capital, amounted to £401 in 1950, against £338 in 1949. In addition, the following legacies were bequeathed to the Fund: T. C. Fitton Will Trust £105; the estate of the late Mr C. F. George, F.S.A.A., £75; the estate of the late Mr C. Hewetson Nelson, F.S.A.A. £50.

[1] The accounts are not reproduced. – Editor.

The expenses of the Fund were limited to printing and postages.

The trustees have endeavoured to deal with the cases before them as generously as possible to meet the rising cost of living. Grants aggregating £3,015 were distributed to 36 beneficiaries during the year under review as compared with £2,432 in 31 cases during 1949. An analysis of the grants made in 1950 is printed overleaf. [Reproduced below. – Editor.]

The cordial thanks of the trustees are extended to local honorary secretaries for their co-operation, and to all contributors, including the Society's South African Committees and the Incorporated Accountants' Lodge for their continued support.

In August 1950 members of the New Zealand Society of Accountants sent food parcels to beneficiaries of the Fund. The trustees record their gratitude for these generous gifts, which gave much pleasure to the recipients.

The trustees record with deep regret the death of Mr Henry John Burgess, a Vice-President of the Fund and Chairman of the Trustees from 1931 to 1943, and of Mr Arthur Henry Hughes, who since 1947 was Honorary Auditor of the Fund.

Mr James Atkinson Allen, Incorporated Accountant, London, who was appointed by the trustees to fill the vacancy caused by the death of Mr Arthur H. Hughes, has notified that he is willing to continue in office as Honorary Auditor.

Dated this 18th day of April, 1951.

PERCY TOOTHILL, *Chairman.*
R. WILSON BARTLETT,
R. M. BRANSON,
E. CASSLETON ELLIOTT,
WALTER HOLMAN, *Trustees.*
I. A. F. CRAIG, *Hon. Secretary.*

Incorporated Accountants' Hall,
London, WC2.

Particulars of Grants made during the year 1950

	Number of Cases	Total Grants	Amounts previously given in cases where grants were renewed
		£	£
Education and Support of Children	11	1,146	3,604
Members or Former Members Suffering from Infirmity or in Straitened Circumstances	8	675	976
Widows and Dependants of Deceased Members.. ..	17	1,194	4,128
	36	3,015	8,708

The geographical distribution of the cases dealt with is as follows:

Cheshire	4	Derbyshire ..	1	Hertfordshire ..	2
Home Counties ..	10	Ireland	1	Lancashire ..	2
London	2	Nottingham ..	1	Scotland	1
Somerset	1	Suffolk	1	Sussex	5
Wales	2	Warwickshire ..	1	Yorkshire ..	2

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

SIXTY-THIRD ANNUAL GENERAL MEETING

At the sixty-third annual general meeting of The Institute of Chartered Accountants in Ireland, held at the Dawson Hall, Dublin, on May 5th, 1951, the following members were present:

Mr P. J. Purtill, *President* (in the chair), Mr H. E. A. Addy, *Vice-President*, Messrs. J. Bailey, P. Butler, F. Cleland, W. H. Fitzsimons, E. T. McCarron, H. Trevor Montgomery, E. P. O'Carroll, W. L. H. Rodden, R. Stanley Stokes and G. Hill Tulloch (*Members of the Council*), and W. G. Armstrong, C. T. Attwooll, J. Bacon, H. Boyd, A. S. Boyd, K. Briscoe, G. Brock, M. A. Bruce, C. E. Cameron, A. E. Dawson, G. B. Duffin, H. H. Forsyth, W. C. Gardiner, N. V. Hogan, J. Johnston, R. E. McClure, J. J. Murphy, M. Willis Murphy, J. C. Oakes, D. W. Pratt, C. F. Smith, J. Walker and D. McC. Watson, with Mr Wm. Edmiston Crawford, *Secretary and Treasurer*, and Mr H. Stevenson, *Joint Secretary*, in attendance.

Apologies for absence were received from:

Messrs G. A. P. Bryan, R. N. Crawford, W. M. Geddes, T. Geoghegan, J. Graham, S. A. Harding, R. G. Henderson, B. E. Kernan, S. H. Laughlin, E. W. McDowell, E. McKee, J. Malone, J. K. Montgomery, S. J. Muldowney, A. R. Ormsby, F. H. Pim, J. Pinkerton and H. W. Robinson.

Submitting the Council's report and statement of accounts for the year 1950, the President, Mr P. J. Purtill, F.C.A., Dublin, said:

PRESIDENT'S ADDRESS

The report and accounts having been in your hands for the usual time I propose to take them as read, but I would like to refer to some matters mentioned in the report.

Examinations

After the improvement last year, on which I was able to congratulate students, it is regrettable to note a reduction of approximately 10 per cent in the percentage of passes in the Final examinations, which was only 35 per cent of the entries. It is difficult to account for such a low standard. The university lectures arranged for Dublin students at University College have not been availed of as much as was expected. Principals are urged to take a personal interest in their articled clerks' preparation for the examinations and in this connexion I would call attention to the recommendation issued by the Council in November 1950 that articled clerks should be allowed six weeks' leave of absence for study before each examination. The matter should also receive the attention of the district societies and any suggestions from them will be welcomed by the Council.

The list of examinations qualifying for exemption from the Preliminary examination of the Institute is to be reviewed in connexion with the revision of the bye-laws.

Membership

The membership of the Institute continues to show satisfactory progress, now amounting to 766 members with 319 articled clerks.

New Premises

The outstanding event of the year is the purchase of the premises No. 7 Fitzwilliam Place, Dublin, as headquarters of the Institute. The premises are pleasantly situated, provide ample accommodation for offices and library for the Institute and the Dublin Society, and I believe sufficient space to build a hall if thought fit in the future.

District Societies

The district societies in Dublin and Belfast were active during the year, and I have again to pay a tribute to the members of the respective committees and urge members to co-operate with them by supporting the various functions arranged.

I would also refer to some other matters arising out of last year's minutes:

Social Security Scheme

The Bill for an extended social security scheme in the Republic, which I commended to the attention of members last year, is now going through the Dail, and I hope will result in a practicable scheme being enacted. The Dublin Society were fortunate in hearing an address from the Tanaiste, Mr Norton, on the subject at one of their monthly luncheons.

Company Law

he need for amendment in the Republic was stressed last ar and members will have been glad to see that the ttorney General has now set up a committee to consider e matter. The Institute was invited to nominate two presentatives, and the Council were fortunate in obtaining e consent of Mr Gabriel Brock (Dublin) and Mr Herbert ddy (Belfast) to act. They have both been interested in evious proposals for revision here and in Northern eland, and we are greatly indebted to them for underking an onerous task. Personally, I hope it will not be emed necessary to introduce here the complicated prosions of the British Act of 1948, which appear to be a rpetual headache to the profession in Great Britain. eland has been very free from abuses of Company Law, it I would like to see some more publicity for the affairs private companies and some relief for the hardships casionally suffered by minority shareholders and some ovision as to the qualifications of auditors of public and ivate companies.

The Institute is also represented on other Government odies: Mr G. W. O'Brien on the Prices Advisory Comittee and Mr S. J. Muldowney on the Irish Tourist oard.

Bye-Laws

'e had hoped to be able to submit the draft revised byews at this meeting, but unavoidable delays had occurred. iope the present year will see them completed

Facilities for Members in Great Britain

rising out of the report of last year's meeting, I am pleased say the London District Society of Chartered Accountits resolved to extend hospitality for lectures etc. in their ogramme to such of our members as wish to attend. The ecretary of the English Institute also intimated that if our embers approached the district societies in their areas ey would be afforded library and other facilities, possibly payment of an annual donation equivalent to the local ibscription.

The Manchester Society also wrote to say they would be reeable to afford facilities to our members in their own ea.

We are obliged to those bodies for their kind consideraon in the matter.

Registration of the Profession

s mentioned in the report, a revised British Bill in conexion with the profession in the United Kingdom is now ider consideration. It appears to be most unsatisfactory in any respects and will probably be dropped. The subject is now been under negotiation for about eight years, which iows the difficulty of dealing with the matter.

In this connexion I will read for you an extract from the atement made on the subject by the President of the nglish Institute at their annual meeting on May 2nd:

'I regret I have to report that although new draft Bills in rious forms have received the very careful consideration of the o-ordinating Committee during the last twelve months, it has t been possible to arrive at any draft which the Council feels at it could recommend to members as satisfying the Institute's inimum requirements. I refer to the protection which should be ovided both to the public and to members against the activities unqualified persons who may be engaged wholly or in part in countancy work of all kinds and who advertise their services. the opinion of the Council this arises from the impracticability f arriving at any satisfactory statutory definition of "accountancy" hich would be generally acceptable and from the fact that countancy services which cannot be controlled are rendered y so many persons other than practising accountants themselves.

'Accordingly, the Council has had to advise the Co-ordinating ommittee that it has reluctantly reached the conclusion that no seful purpose would be served in continuing negotiations for e co-ordination of the profession on the lines of the draft Bill hich have been under consideration.'

We would be faced with similar difficulties here in ideavouring to define the scope of accountants' activities. n the whole, the great increase in the membership of the cognized accountancy bodies and Government tendency to encourage the employment of qualified accountants have rendered the matter less urgent.

In the meantime, the Institute is very pleased to cooperate with the other recognized accountancy bodies on such lines as the very successful meeting held recently at the Gresham Hotel to hear the report on management accounting discussed by some of the party who had visited the U.S.A.

Taxation

Last year I referred to the desirability of giving some additional relief to industry in the Republic on wasting assets, which must be replaced at present excessive costs. It is regrettable that the special allowances which had been made in the United Kingdom are to be discontinued from next year with a view to discouraging capital expenditure. While no increase in rates of allowance has been made in the Republic it is satisfactory that the Minister of Finance realizes that the burden of taxation on industry is sufficiently heavy. Most Irish companies work on a small capital and the difficulty of financing increased stocks is intensified by the large proportion of profits which has to be paid out in taxation.

A British Committee on the Taxation of Trading Profits has just issued a valuable report recommending many concessions, such as the indefinite carrying forward of losses, spreading of sur-tax on professional income, allowance for depreciation on business premises, other than factories, and many other points which I hope will receive the consideration of the Revenue authorities in due course.

In conclusion, I desire to thank my colleagues on the Council for their co-operation and support during the past year, our Secretary, Mr Crawford, and Mr Hugh Stevenson, Joint Secretary in Belfast, for their invaluable assistance, and all the members for their friendly support and encouragement.

I now beg formally to move that the report and accounts for the year 1950 be adopted and I call upon Mr Addy to second the motion.

DISCUSSION

Co-ordination of the Profession in Great Britain

The Vice-President, Mr H. E. A. Addy, having seconded the adoption of the report, the President suggested that members might like to hear from Mr John Bailey, F.C.A. – the representative of the Council on the Committee for Co-ordination of the Profession in Great Britain – an account of the developments during the past year. Mr Bailey gave a brief outline of the difficulties experienced in drawing up an agreed Bill satisfactory to all interests concerned, including Government Departments, and amplified the President's remarks regarding the revised draft Accountants (Public Practice) Bill. He explained that, although it had been decided not to proceed with this Bill, the Co-ordinating Committee would remain in being and would probably explore the possibility of dealing with the matter by means of some suitable amendment and extension of Section 161 of the Companies Act, 1948.

New Premises

Mr J. J. Murphy, A.C.A., questioned the wisdom of the Council in expending such a comparatively large sum on premises which, in his opinion, are too far removed from the commercial and business centre of the City and, therefore, not conveniently accessible to members and articled pupils. He also thought it a great pity that only some forty, out of a total of over seven hundred, members took sufficient interest in the affairs of the Institute to attend this annual meeting.

The President stated that efforts to obtain premises in the City centre had failed owing to the acute shortage of suitable accommodation and the extraordinarily high prices, or rents, which such premises commanded when they came upon the market. Having regard to the increasing traffic congestion in the City, the President felt members should find it no more difficult or inconvenient to get to Fitzwilliam Place, where there was no restriction on the parking of cars.

Mr H. Trevor Montgomery supported the President's view, explained the circumstances in which the new premises had been acquired and spoke favourably of his own experience in getting to and from No. 7 Fitzwilliam Place for the meeting of the Council on the previous day.

Fee for Certificate of Exemption from the Preliminary Examination

Mr Kevin Briscoe, F.C.A., having congratulated the President on his address, suggested that, as the entrance fees for the examinations had been increased, the fee of one guinea at present charged for certificates of exemption from the Preliminary examination should also be increased – to two guineas.

The Initials 'F.C.A.'

He also suggested that the Council should consider what steps could be taken to prevent the use of the initials 'F.C.A.' after the names of persons who were not Fellows of the Institute, and referred particularly to the frequency with which members of the Local Defence Force (Forsa Cosanta Aituil) had the letters 'F.C.A.' attached to their names in newspaper reports.

New Premises: An Opening Ceremony

Mr G. Brock, F.C.A., expressing approval of the Council's choice of premises, stated that a prominent business man had commented most favourably to him on the move to No. 7 Fitzwilliam Place and had praised both the exterior and interior of the new headquarters; in his opinion the Council had shown commendable foresight in anticipating what was bound to become an increasing tendency on the part of professional men and business concerns to move out towards that vicinity. Mr Brock suggested that the Council might, if it had not already done so, consider a small official opening ceremony in the autumn.

International Congress, 1952

Mr Brock took the opportunity of reminding members that the Institute was one of the bodies sponsoring the International Congress on Accounting to be held in London in June of next year (1952), and made an appeal to members to make early arrangements to attend the Congress, at which it is desirable that the Institute should be strongly represented. As one of the Institute's representatives on the Committees which had charge of the arrangements, he spoke of the immense amount of work entailed in preparing for an undertaking of this magnitude and, from his knowledge of the work already done and the plans in progress and contemplated, he expressed the view that the Congress was bound to be an outstanding and highly successful event in the history of the profession.

The Senate Election

Mr M. W. Murphy, A.C.A., also congratulated the President on his address and on the report, and thanked Mr Bailey for his explanation of the position in regard to co-ordination in Great Britain. Speaking of the Senate election, which would follow the forthcoming General Election for the Dail, Mr Murphy suggested that the Institute should on this occasion nominate one member only and should use all its influence to secure his election. He approved of the purchase of No. 7 Fitzwilliam Place, but said it had not been made clear what additional facilities are, or will be, available to members as a result. In this connexion he complained of difficulty and delays he had experienced in borrowing books from the library when it was at Dawson Stre In regard to registration, Mr Murphy said he would like to fe that the Council was taking an interest in the question here Eire; he would not like to see control passing from the professio but thought it might be wise policy to give a little now rather th be obliged to give a lot later.

Mr D. W. Pratt, A.C.A., expressed appreciation at the result the enquiries made to secure library facilities for members the Institute in England, and suggested that the arrangemen made should be communicated to them individually.

Annual Dinners

Mr A. E. Dawson, F.C.A., congratulated the Council on comi through a difficult year with flying colours; but made a stro appeal for the resumption of annual dinners. It was regrettab that members generally took so little interest in the affairs of t Institute: he felt that annual dinners might be a means of encoura ing and fostering increased interest.

The President, winding up the discussion, thanked t members for their attendance and suggestions, which wou receive the consideration of the Council. In regard to the Sena election, he pointed out the advantage of having two nominees view of the transferability of votes.

The report and accounts were unanimously adopted.

Election of Officers

The four retiring members of the Council, Messrs H. E. A. Add H. Trevor Montgomery, W. H. Fitzsimons and E. T. McCarr were declared re-elected, no other nominations having be received.

Mr H. E. A. Addy, F.C.A., of Belfast, was unanimously elect President and Mr P. Butler, F.C.A., of Dublin, was unanimous elected Vice-President for the ensuing year.

Mr W. E. Crawford, F.C.A., Secretary and Treasurer, Mr I Stevenson, F.C.A., Joint Secretary, Belfast, and the Joint Audito Messrs D. McC. Watson, B.A., LL.B., F.C.A., and J. Graha F.C.A., were re-elected unanimously.

The following members were reappointed to represent t Institute on the Nomination Committee for the Industrial a Commercial Panel under the Seanad Electoral (Panel Membe Act, 1947: Messrs P. Butler, E. P. O'Carroll, P. J. Purtill, H. V Robinson and R. Stanley Stokes.

Mr James Walker, F.C.A., Chairman of the Belfast Society Chartered Accountants, on behalf of the Society, congratulat Mr Addy on his election as President of the Institute and assur him of the whole-hearted support of the Society during his peri of office. Mr E.T. McCarron, on behalf of the Dublin member expressed the great pleasure which Mr Addy's election gave the and took the opportunity of saying how much the large attendan of members from Northern Ireland at the meeting was appreciat by their colleagues in the South.

The meeting concluded with a most hearty vote of thanks the outgoing President, Mr P. J. Purtill, for the manner in whi he had fulfilled all the duties of President during the past t years, and for his many services to the Institute and the professi generally.

Quarterly and Special Meetings of the Council

At the quarterly and special meetings of the Council, held on May 4th and 5th, the following were present:

Messrs P. J. Purtill, *President* (in the chair), H. E. A. Addy, *Vice-President*, John Bailey, P. Butler, F. Cleland, W. H. Fitzsimons, E. T. McCarron, H. Trevor Montgomery, E. P. O'Carroll, W. L. H. Rodden, R. Stanley Stokes, and G. Hill Tulloch, with the Secretary and Treasurer, Mr Wm. E. Crawford, and the Joint Secretary, Mr H. Stevenson, in attendance.

Applications for admission to associateship-in-practice from the following members were acceded to: Messrs John F. Fitzgerald (Galway), Peter C. Galligan (Dublin), Paul M. Kavanagh (Dublin), Robert T. G. Thompson (Londonderry), Charles Russell Murphy (Dublin).

Six articled pupils applied for and were granted permission, under Bye-law 75, to present themselves for their Intermediate examinations before the expiration of one-half of their terms of service.

It was reported that 140 entries had been received for the examinations commencing on May 15th, as shown in the following table. This represents an all-over increase of 20 on the total of 120 in May 1950, viz. Dublin centre 68 and Belfast centre 52.

	Inter.	*Final*	*Tot*
At the Dublin centre	52	38	90
At the Belfast centre	23	27	5
	75	65	14

Matters relating to the Sixth International Congress Accounting, to be held in London in June next year (195 were under consideration.

Proposals for changes in the form in which the annu list of members (due to be corrected up to May 31s 1951) is published, were deferred.

All the members of the Council were appointed membe of the Examination Committee for the ensuing year, und Bye-law 62.

The following seven members of the Council we appointed, under Bye-law 108, to be the Investigati Committee for the current year: Messrs H. E. A. Add P. Butler, W. H. Fitzsimons, H. Trevor Montgomer E. P. O'Carroll, P. J. Purtill and R. Stanley Stokes.

A considerable amount of routine and other busines including that in connexion with the new premises, was de with, and the payment of accounts amounting to £2,3 was sanctioned.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

EIGHTY-FIRST ANNUAL GENERAL MEETING

'he eighty-first annual general meeting of the Liverpool ociety of Chartered Accountants was held at the Constitu- onal Club, Liverpool, on May 7th, 1951, when the resident, Mr G. Malcolm W. West, F.C.A., presided over company of about 75 members.

PRESIDENT'S ADDRESS

'he President said in the course of his speech:

'Unfortunately, as you will have seen from the report, on the ext casual vacancy occurring in the Liverpool representation, e seat will not be filled by a Liverpool member. This is largely ie to five seats on the Council being allocated in future to on-practising chartered accountants, and also to the relative owth of membership in other districts. On figures of member- ip we could not possibly justify a third member on this realloca- on of seats.

Articled Clerks

t is doubtful whether as much consideration has been given the education and training of persons for any profession as at which has been given to the training of chartered accountants' ticled clerks since the war ended six years ago.' He continued:

'Here in Liverpool we have, in addition to the Intermediate id Final lectures at the library, the residential courses at Burton lanor, which are again being run this year in conjunction with e Manchester Society of Chartered Accountants. I have been rtunate in seeing some of the work at close quarters and of preciating the enormous amount of work which has been rried out by the Education Joint Committee in organizing these urses.

'The thanks of members of this Society are undoubtedly due the lecturers, who have oft-times attended from long distances, id especially our thanks are due to Mr C. C. Taylor and Mr tanley Morris, junior, for their efforts in organizing these urses. It is of interest to note that at the conclusion of both the urses held in March last the students were unanimous in their preciation of the facilities provided in respect of both tuition id accommodation.

'Looking at the figure of attendances there this year, it is a ttle disappointing to find that Manchester and North Lancashire e sending more students than Liverpool, Chester and North Vales.

The University Course

should also like to bring to your notice again the benefits hich are available to articled clerks in taking the University urse. The numbers at Liverpool University who are taking is course are, I understand, slightly disappointing when ompared with some at the other universities.

'I feel that members of the Society, when engaging articled erks, should point out the advantages of taking this course, hich after all only extends their articles by nine months and ives the student the opportunity of taking his degree as a achelor of Commerce as well as becoming a member of our stitute.'

Millard Tucker Report

fter dealing at some length with the implications of the port of the Carr-Saunders Committee on Education for ommerce, and the Institute's reply, the President con- nued:

'.. It is perhaps unfortunate that the Millard Tucker Report nly came out a day or two before the Budget, when the Chancellor tated that he had not been able to study the recommendations iade in detail and that in any event he must await the reactions f industry and commerce before coming to final conclusions. ccordingly, any question of legislation on the Committee's eport will have to wait over until next year.

'In the meantime, in the present Budget the Chancellor appears o have gone some way to meeting one of the recommendations nade by the Committee in increasing the maximum deduction for lirectors' remuneration in director-controlled companies for rofits tax purposes.

'On the other hand, one of the Committee's other recommenda- ions is that initial allowances should be continued, and possibly icreased, with a view to meeting the difficulties of replacing worn-out assets at enhanced prices. The Chancellor's proposals already negative this recommendation by suspending initial allowances in respect of expenditure incurred after April 5th, 1952. This may have an effect which possibly the Chancellor never intended and may result in causing firms and companies to purchase this year as much plant and machinery as possible – and particularly motor-cars – so as to obtain the benefit of the present initial allowances.'

Library

'My predecessor in office at the last general meeting referred to the services of Mr Kenneth Cook, who has served our Library Committee for over fifty years and who has been Chairman of it for over thirty-five years.

'I am glad to be able to advise you that Mr Cook has agreed to let us have his photograph and that it will be hung in the Library with a suitable inscription of his record of service. This, I am sure, will meet with general approbation.

The report and accounts were adopted.

Before the proceedings closed, an enthusiastic vote of thanks to the President for his services during the year and at the annual meeting was proposed by Mr A. D. Walker and carried with acclamation.

Officers and Committee for 1951-52

The new officers for 1951–52 elected at a meeting of the Committee on May 9th, 1951, are as follows:

President: Mr K. G. M. Harding, B.A., J.P., F.C.A.
Vice-President: Mr G. N. Fullagar, F.C.A.
Hon. Treasurer: Mr E. T. Denton, B.A., F.C.A.
Hon. Secretary: Mr T. A. Macfarlane, B.A., A.C.A.

The following are other members of the committee:

Messrs H. Duerden, B.COM., A.C.A., Frank Hack, F.C.A., T. Warren Job, A.C.A., K. G. Lyon, F.C.A., W. A. J. Parkinson, F.C.A., W. P. Scowcroft, A.C.A., S. Bertram Smith, F.C.A., C. C. Taylor, F.C.A., G. M. W. West, F.C.A., and *ex officio*, the following members of the Council of the Institute, Messrs W. R. MacGregor, F.C.A., A. D. Walker, J.P., F.C.A., and G. F. Saunders, J.P., F.C.A.

ANNUAL REPORT

The eighty-first annual report shows that the total of members at December 31st, 1950, was 440 (Liverpool Society 378, Chester and North Wales Branch 62) and observes that of the members of the Institute resident or practising in the Society's area, over one-third are not members of the Society or of the Branch.

The Committee, the report states, is about to send an invitation to all who are not yet members to join either the Society or the Branch, so that the local society can become more fully representative of the members of the Institute in the area.

During the year there was a mock tax appeal meeting followed by a supper (arranged jointly with the Association of H.M. Inspectors of Taxes); three lectures; a luncheon; and the annual dinner.

The Education Joint Committee organized two series of lectures for Intermediate students and two for Final students during the year, as follows:

	Spring Session	*Autumn Session*
Intermediate lectures	13	13
Final lectures	14	14
Total enrolments	95	80

In addition, courses for newly articled clerks, of four lectures each, were held in May and December. There was no formal enrolment for these courses, but the attendance at these lectures averaged twenty-five.

Residential courses at Burton Manor, Wirral, organized in conjunction with the Manchester Society, were duly held in April and October for Intermediate and Final

students, and proved to be a great success. A total of 167 attended these courses.

An examination centre was opened in Liverpool for the Intermediate and Final examinations in November 1950, and this facility is appreciated by local students. A panel of invigilators has been formed.

A local discussion group for younger practising members of the Society has been formed, and holds regular meetings.

The Society has continued, in conjunction with the Incorporated Accountants' District Society of Liverpool, to supply consultants every fortnight to advise on income-tax matters at the citizen's advice bureau.

The report records interesting golfing activities.

CHESTER AND NORTH WALES BRANCH

The report of the Chester and North Wales Branch f 1950, appended to the Society's report, shows that December 31st, 1950, there were sixty-two membe There were three general meetings: the annual gene meeting followed by the annual dinner, held in Chester, summer meeting held at Colwyn Bay, which took the for of a discussion on subjects of current professional intere followed by a dinner, and a winter meeting, held at Chest at which an address was given by Mr E. Noel Humphrey F.C.A. (a former chairman), again followed by a dinner.

There was also a series of lectures for Intermedia students.

ADDITIONS TO THE INSTITUTE'S LIBRARY

This subject index of books recently added to the library of The Institute of Chartered Accountants is supplementary to the 'Short List' dated June 1950, copies of which may be obtained gratis from the Librarian.

ACCOUNTANCY: The accounting vista – company and national, by Sir F. J. Alban (Chartered Institute of Secretaries), 1950. (Presented.) Members' Handbook (Institute of Chartered Accountants in England and Wales), 1950. No campo cientifico da contabilidade (do.) A. F. de L. Alves. Bahia, 1950. (Presented.) Das Revisions- und Treuhandwesen in Rahmen der Weltwirtschaft (von), K. Schmidt. (Typescript.) Wien, 1950. Wirtschaftsprüfung, Rechnungslegung, und Besteuerung. Vorträge und Diskussionen. (Schriftenreihe des Instituts der Wirtschaftsprüfer. Bd. 1.) Dusseldorf, 1950. (Presented.)

ACCOUNTANCY. EXAMINATION PAPERS: Specimen answers to the questions set at the Chartered Final examination, November 1950, with copies of the questions. (Study Services Ltd.) 1951. (Study Services, 7s 6*d*.)

ACCOUNTANTS CONGRESSES, SYDNEY: Proceedings of the Australian Congress on Accounting, 1949. Sydney, 1949. (Presented.)

ACCOUNTING: Accounting, part 1, by S. W. Rowland and B. Magee. 5th edition, 1949. (Gee, 15*s*.) Accounting techniques used in published corporate annual reports. Third annual survey by the research department, American Institute of Accountants, of current practice of more than 525 large American corporations. New York, 1949. (A.I.A., $10.) Studies in accounting, edited on behalf of the Association of University Teachers of Accounting, by W. T. Baxter. 1950. (Sweet & Maxwell, 23*s* 6*d*.)

ACTUARIAL SCIENCE: Proceedings of the Centenary Assembly of the Institute of Actuaries. 3 vols. Cambridge, 1950. (Presented.)

ADVERTISING: Advertising – a tool for management (British Institute of Management. Marketing and Sales Management. Series 1), 1950. (B.I.M., 2*s* 6*d*.)

ARBITRATIONS: Costs in arbitrations, by J. L. R. Robinson. (Oyez Practice Notes.) 1950. (Solicitors' Law, 6*s* 6*d*.) A treatise on the law and practice of arbitrations and awards, by J. P. H. Soper. 7th edition, by D. M. Lawrance. (Supplement: The Arbitration Act, 1950.) 1950. (Estates Gazette, 25*s*.)

AUDITING: Audit working papers, by M. E. Peloubet. New York, 1949. (McGraw-Hill, 72*s* 6*d*.) The auditor's report: its evolution in the U.S.A., by G. Cochrane, F.C.A. (Institute of Chartered Accountants in England and Wales. Summer Course, 1950.) 1950. Audits by Certified Public Accountants, their nature and significance (American Institute of Accountants). New York, 1950. (A.I.A., 50 cents.) Notes for audit staff, by C. H. S. Lewis, F.C.A., 2nd edition. 1950. (Gee, 8*s* 6*d*.)

AUSTRALIA: Australia; economic and commercial conditions in Australia. (Board of Trade. Overseas Economic Surveys.) 1950. (H.M.S.O., 4*s*.)

AUSTRALIA. COMPANY LAW: Company formation in Australia, with notes on other matters affecting the esta lishment of a business in the Commonwealth (Uni Bank of Australia). 1950. (Presented.) Company law New South Wales, by R. K. Yorston, S. R. Brown, a H. Jackson. 2nd edition. Sydney, 1950.

AUSTRALIA. MERCANTILE LAW: Mercantile law in Austral by G. Rogers and L. C. Voumard. 2nd edition. Sydne 1950. (Butterworth, 25*s*.)

AUSTRALIA. TAXATION: Australian income-tax (Uni Bank of Australia) [a leaflet]. 1950. (Presented.)

BALANCE SHEETS: Is it true and fair? by W. G. Dense A.C.A. (Institute of Chartered Accountants in Engla and Wales. Summer Course, 1950.) 1950. Preparati and certification of financial statements, by B. Greidinger. New York, 1950. (Ronald Press, 43*s*.) T presentation of a company's accounts, by A. K. Fiso (Chartered Institute of Secretaries.) Cambridge, 195 (Heffer, 1*s* 6*d*.)

BANK ACCOUNTS: Bank book-keeping, control, and inspe tion, by W. Hay (Institute of Bankers in Scotlan Scottish Banking Practice 2.) 1950. (Blackwood, 2*s* 6*d*

BANKING: Law of banking, by Lord Chorley. 3rd editio 1950. (Pitman, 18*s*.) The limited company and its bank by L. C. Mather. (Chartered Institute of Secretarie 1950. (Presented.)

BANKRUPTCY: Examination questions on bankruptcy a deeds of arrangement, together with answers there by R. Byrne, A.C.A. 3rd edition. Woking, 1948. (Studen Publications, 5*s*.) Insolvency practice, by J. Snait 1950. (Gee, 25*s*.)

BASUTOLAND: Annual report on Basutoland for 1948. 194 (Commonwealth Relations Office.)

BILLS OF EXCHANGE: Bills of exchange made easy, b E. Westby-Nunn. Woking. (?1948) (Students' Publi tions, 1*s* 3*d*.)

BOARD OF TRADE. OVERSEAS ECONOMIC SURVEYS: Colomb economic and commercial conditions in Colombia, L. A. Scopes. 1950.

BOOKBINDING: Library binderies, by R. F. Drewe (Library Association pamphlet No. 3.) 1950. (L.A 3*s* 6*d*.)

BOOK-KEEPING: Elementary book-keeping, a text-book f beginners, by L. C. Cropper, F.C.A. 13th edition. 194 (Macdonald & Evans, 4*s*.) Principles and practice book-keeping and accounts, by B. G. Vickery, F.C.A 13th edition. 1949. (Gregg, 15*s*.) Book-keeping a accounts, by E. E. Spicer and E. C. Pegler. 12th editio Edited by W. W. Bigg and H. A. R. J. Wilson. 195 (H. F. L., 30*s*.) Book-keeping rapid course, by F. Jones. 1950. (Barkeley, 4*s* 6*d*.) Carter's Advance accounts. 4th edition. 1950. (Pitman, 12*s* 6*d*.) T student's complete commercial book-keeping, by A. an E. E. Fieldhouse. 57th edition. 1950. (Simpkin, Marsha 9*s* 6*d*.)

NOTES AND NOTICES

The Institute of Chartered Accountants in England and Wales

The following is a list of Associates elected to Fellowship and applicants admitted to membership at the Council meeting held on May 2nd, 1951, who completed their Fellowship or Membership before May 15th.

Associates elected Fellows

Baring, Edward Hay; 1939, A.C.A.; Atlantic Chambers, 7 Brazennose Street, Manchester, 2.
Bell, Thomas Hedley, B.A.; 1937, A.C.A.; (David Smith, Garnett & Co), 61 Brown Street, Manchester, 2.
Collier, Daniel Henry; 1932, A.C.A.; (*Hill, Vellacott & Co), Law Courts Chambers, 33 & 34 Chancery Lane, London, WC2, and at Cambridge and Deal; also at Belfast and Downpatrick (*Hill, Vellacott & Bailey).
Cotterell, John Cyril Leslie; 1936, A.C.A.; (Howard Heaton & Bendall), 95 Colmore Row, Birmingham, 3, and at Wolverhampton and Worcester.
Duck, Frederick Leslie; 1927, A.C.A.; (*Duck, Mansfield & Co), 66 Broad Street Avenue, London, EC2.
Golcher, John Hampton; 1933, A.C.A.; (E. Carpendale Corton & Co), 32 De Montfort Street, Leicester.
Hancock, James Harrison; 1945, A.C.A.; (Hancock & Ashford), Montgomery Chambers, Hartshead, Sheffield, 1.
Hogg, Edwyn Rymer, M.A.; 1931, A.C.A.; (Kemp, Chatteris & Co), 1 Throgmorton Street, London, EC2.
Horsfall, William Thomas, V.R.D.; 1931, A.C.A.; (Sheard, Vickers & Winder), 34 Castle Street, Liverpool, 2, and at London.
Jackman, Donald Albert; 1936, A.C.A.; (*Cole, Dickin & Hills), 18 Essex Street, Strand, London, WC2, and at Rushden and St Neots; also at Falmouth, Grimsby and Sleaford, (Cole, Dickin & Hills).
Jayes, Harold; 1926, A.C.A.; (*Jayes, White & Co), 5 Hatherton Road, Walsall.
Lowe, Oswald John; 1917, A.C.A.; Williams Deacon's Bank Chambers, Market Street, Leigh, Lancs.
Neville, Cecil Ernest; 1935, A.C.A.; (*C. Neville & Co), Standard House, 52 & 54 Gray's Inn Road, High Holborn, London, WC1.
Price, Ronald Chappell; 1932, A.C.A. (R. C. Price & Co), Venice Chambers, 61 Lord Street, Liverpool, 2.
Redhead, Thomas Davis; 1933, A.C.A.; (de Paula, Turner, Lake & Co), 17 Coleman Street, London, E.C.2.
Shepherd, Edgar Theodore; 1939, A.C.A.; (Gilbert Shepherd, Owen & Co), 22 St Andrew's Crescent, Cardiff.
Snden, Frederick Victor; 1943, A.C.A.; (Kemp, Chatteris & Co), 1 Throgmorton Street, London, EC2.
Tanstone, Harold Bertram; 1935, A.C.A.; (Walton, Watts & Co), 41 Spring Gardens, Manchester, 2.
Walker-Arnott, Charles Douglas; 1931, A.C.A.; (*Hill, Vellacott & Co), Law Courts Chambers, 33 & 34 Chancery Lane, London, WC2, and at Cambridge and Deal; also at Belfast and Downpatrick, (*Hill, Vellacott & Bailey).
Wallis, Norman Black; 1934, A.C.A.; (*Stanley Wallis & Co), 15 Weekday Cross, Nottingham.
Walton, Denys Neville; 1937, A.C.A.; (Walton, Watts & Co), 41 Spring Gardens, Manchester, 2.
Ward, Dudley Arthur Jonathan; 1938, A.C.A.; (Ward, Thornton & Co), 93 High Street, Walton-on-Naze, and at Frinton-on-Sea and London.
Wardle, Arthur Darlington; 1928, A.C.A.; (Kemp, Chatteris & Co), 1 Throgmorton Street, London, EC2, also at Bristol, (Hudson Smith, Briggs & Co).
Wylie, Hugh Norman; 1937, A.C.A.; (*Charles Wakeling & Co), Pomeroy House, 28A Basinghall Street, London, EC2.
Yerbury, John Fitzalan Dow; 1932, A.C.A.; (Stafford Rudkin & Co), 95 & 97 Fenchurch Street, London, EC3.

Admitted as Associate
(Not in Practice)

Wood, Bernard William, M.C., with Kemp, Chatteris & Co, 1 Throgmorton Street, London, EC2.

* placed against a Firm Name signifies that the Firm is not exclusively composed of members of the Institute.

MEMBERS' ADDRESSES WANTED

The secretary of the Institute would be glad to know the present addresses of the following members of the Institute. The town at which the member was last known is shown after each name:

Herbert Gordon Carter, A.C.A., *Guildford.*
Stanley Joseph Dent, A.C.A., *Pinner.*
William Forsyth, A.C.A., *London, W10.*
John Wills Purrett, A.C.A., *Manchester.*
John Eric Rowe, A.C.A., *Abbots Langley.*
James Johnson Sanderson, A.C.A., *Scarborough.*
Eric John Hemsworth Towler, A.C.A., *Pontefract.*

Personal

MESSRS KENNETH WEST & Co, Chartered Accountants, of 40 The Dale, Woodseats, Sheffield, 8, announce that, as from April 2nd, 1951, they have opened an additional office at Fieldsend Chambers, 43A Low Pavement, Chesterfield, Derbyshire.

MESSRS F. L. ROUSE & Co, of 2A The Broadway, Penn Road, Beaconsfield, Bucks, and at Aylesbury and Tring, announce that Mr FRANCIS LIONEL ROUSE, F.S.A.A., who founded the firm in 1923, ceased to be a partner with effect from April 1st, 1951. The continuing partner, Mr JOHN CODLING, A.C.A., took into partnership on the above date, Mr FREDERICK NOEL FOSTER, A.C.A., and together they will continue the practice under the name of F. L. ROUSE & Co, Chartered Accountants, at the same addresses as hitherto. Mr FRANCIS L. ROUSE will be available in a consultative capacity at 2A The Broadway, Penn Road, Beaconsfield, Bucks.

MR W. D. TYACK, F.C.A., who has for many years been carrying on practice in his own name at 20 Chapel Street, Camborne, announces that he has, as from April 1st, 1951, entered into a partnership with Messrs WHITAKER & REDFEARN, chartered accountants of Penzance, in respect of that practice, which will now be carried on under the name and style of TYACK, WHITAKER, REDFEARN & Co, at the same address at Camborne.

MESSRS WEST & DRAKE, Chartered Accountants, of Sardinia House, 52 Lincoln's Inn Fields, WC2, and of Market Place, Reading, announce that as from May 1st, 1951, they have taken into partnership Mr D. H. M. JONES, A.C.A. The name of the firm remains unchanged.

As from April 10th, 1951, Mr B. S. KYLE retired from the firm of LINDSAY FYNN & Co, which firm will in future be continued by the remaining partner, Mr B. M. LINDSAY FYNN.

The firms of E. C. PRICE, SON & REID; E. C. BROWN, BATTS & ASHURST; and SLADE, LEWIS & SLADE wish to announce a dissolution of the partnerships by mutual agreement, such dissolution to take effect from March 31st, 1951. In future the firm of E. C. BROWN, BATTS & ASHURST will be known as E. C. BROWN & BATTS and will be carried on by Mr ERIC FRANK WARNER BATTS, F.C.A., Mr ERNEST CHARLES BROWN, F.C.A., Mr JOHN MICHAEL PERRY BISHOP, A.C.A., and Mr BERNARD JOHN DUCKER, A.C.A. The partners in E. C. PRICE, SON & REID, and SLADE, LEWIS & SLADE will be Mr BASIL JAMES ASHURST, F.C.A., Mr LOUIS CLEMENT MAYER-NIXSON, A.C.A., and Mr JACK WILFORD FOX, A.C.A. All three firms will continue to practice from 62 London Wall, London, EC2.

In Parliament

HOTEL RESIDENTS: TAX

Mr G. WARD asked the Financial Secretary to the Treasury under which of his regulations hotel proprietors are required to give a list of their residents for income-tax purposes; and what is the object of this return which is much disliked by the hotel proprietors.

Mr JAY: Hotel proprietors may be required to provide lists of residents under Section 104 of the Income Tax Act, 1918. The object of the lists is to enable Inspectors of Taxes to obtain returns of income from hotel residents who might otherwise escape their notice.

Hansard, May 8th, 1951. Written Answers, Col. 196.

VOLUNTARY FIREMEN: TAX

Mr HOPKINSON asked the Financial Secretary to the Treasury if he will give an estimate of the cost of exempting from income-tax the fire-call attendance fees and turn-out fees of the part-time retained voluntary firemen.

Mr JAY: The cost is estimated at about £100,000.

Hansard, May 8th, 1951. Written Answers, Col. 195.

COLONIAL PENSIONERS: TAX

Mr G. WILLIAMS asked the Chancellor of the Exchequer if he will extend the exemption from United Kingdom income-tax, accorded to United States Government pensioners who are domiciled in the United Kingdom and who pay income-tax on their pensions at source, to British colonial pensioners who are domiciled in the United Kingdom and who pay income-tax on their pensions at source.

Mr GAITSKELL: I assume that the hon. Member has in mind the exemptions provided under double taxation agreements. Exemption from United Kingdom tax does not extend to pensioners of the United States Government who are British nationals, unless they happen also to be United States nationals. United States pensioners who are British nationals and not United States nationals are charged to United Kingdom tax if resident in the United Kingdom, as are, in general, colonial pensioners resident in the United Kingdom, but credit is given by the United Kingdom for the corresponding Unite States or colonial tax. I see no reason for varyin the existing arrangements.

Hansard, May 8th, 1951. Written Answers, Col. 1764

3 per cent Defence Bonds, Second Issue: Conversion Offer

The following announcement has been made by th Treasury:

A first conversion offer is open to holders o 3 per cent Defence Bonds purchased betwee September 1st, 1941, and February 28th, 1942 and therefore maturing for repayment betwee September 1st, 1951, and February 28th, 1952.

These holders will be invited to continue thei bonds until March 1st, 1952 (the next interest date) on that date they will be paid a full six months interest at 3 per cent and the maturity premium o £1 per cent, and their bonds will be exchanged int the same amount of 3 per cent Defence Bond (Conversion Issue) repayable at par ten years fron the date of exchange. There will be no break in th holders' encashment rights.

Interest on bonds for which this offer is no accepted will cease on the tenth anniversary of th date of purchase.

The full conversion terms will be given in th prospectus which will be issued to individual holder on May 31st, 1951, together with forms of reques for conversion, and forms of authority for repayment for the use of holders who do not accept the conversion offer. The list of acceptances of the conversion offer will be closed on July 15th, 1951

Note: The amount of 3 per cent Defence Bonds Second Issue, at present outstanding, is £118·1 million. If not previously encashed, the bonds are repayable at £101 for each £100 nominal value ten years from the date of purchase, i.e. they fall due for repayment on and after September 1st, 1951, the tenth anniversary of the opening of the issue.

London and District Society of Chartered Accountants

The ninth annual general meeting of the London an District Society of Chartered Accountants will b held on June 21st, 1951, at 6 p.m. in the Oak Ha of The Institute of Chartered Accountants in Englan and Wales, Moorgate Place, London, EC2.

Manchester Society of Chartered Accountants

The seventieth annual general meeting of the Manchester Society of Chartered Accountants was held on May 7th. The report of the Committee for the year ended December 31st, 1950, was presented and adopted, and shows the total membership (including that of the North Lancashire Branch) of the Society to be 783 – an increase of 27 above the previous year.

The report includes details of the nine meetings held during the year and provides a list of the additions made to the Society's library in the last twelve months as well as a 'directory' of members. The necessity of full-time secretarial assistance became apparent during the year, resulting in the appointment of Miss

Ritchie, LL.B., as assistant secretary of the Society ith offices at 60 Spring Gardens, Manchester, 2.

The report of the Society's North Lancashire ranch was referred to in our issue of April 28th last.

The officers and committee elected for the year 951–52 are:

President: Mr M. Wheatley Jones, B.COM., F.C.A.
Vice-President: Mr H. Sutherst, F.C.A.
Hon. Treasurer: Mr A. H. Walton, A.C.A.
Hon. Librarian: Mr R. H. E. Wilkinson, J.P., F.C.A.
Hon. Secretary: Mr J. S. Harrower, A.C.A.
Hon. Auditor: Mr R. Hobkirk, A.C.A.
Committee: Messrs D. G. Bee, F.C.A., J. Howard ell, B.A., F.C.A., W. T. Bell, F.C.A., F. Carruthers, C.A., T. N. Foster, J.P., F.C.A., H. C. Gill, M.C., F.C.A., . M. Gilliat, F.C.A., W. Hare Junr., M.A., F.C.A., W. t L. Palmour, J.P., F.C.A., W. B. Phillips, F.C.A., . F. Rountree, O.B.E., J.P., F.C.A., C. M. Skinner, F.C.A., . H. Walsh, F.C.A., G. Waterworth, F.C.A. Ex-officio embers (as members of the Council of the Institute): lessrs J. Blakey, A.C.A., J. S. MacKenzie, A.C.A., . M. Strachan, F.C.A., E. G. Turner, M.C., F.C.A., . Walton, F.C.A.

The Leeds, Bradford and District Society of Chartered Accountants

he report for 1950 of the Leeds, Bradford and District Society of Chartered Accountants shows that embership on February 28th, 1951, totalled 413; on ecember 31st, 1949, before the formation of the orth Yorkshire and South Durham Branch it was 67. Nine committee meetings were held during the ear. The report expresses the gratification of the ommittee at the success of the monthly luncheon neetings held in Leeds and Bradford.

Three lectures were given to the Society and were vell attended.

The Society has been represented on the two uition committees formed jointly with the two tudents' associations to run the tuition classes in eeds and in Bradford for articled clerks, and on the Advisory Committee established in connexion with he Leeds University accountancy course. Members of the Society have given considerable support in many other ways to the activities of the Leeds and he Bradford Students' Associations. A sub-committee has been formed to explore the possibilities of holding occasional residential courses for students in he district.

The annual meeting of the Society was held on March 30th last. The following officers and committee were appointed:

President: Mr H. Bolton, F.C.A.
Vice-President: Mr A. Welch, M.C., F.C.A.
Hon. Secretary: Mr G. N. Hunter, F.C.A.
Hon. Treasurer: Mr E. R. Longman, F.C.A.
Committee: Messrs B. A. Bates, M.C., F.C.A., H. H. Blackburn, F.C.A., H. Bolton, F.C.A., C. E. Claridge, F.C.A., Cecil L. Davies, F.C.A., A Dobson, F.C.A., C. A. Harrison, O.B.E., F.C.A., G. N. Hunter, F.C.A., E. R. Longman, F.C.A., S. T. Milner, F.C.A., J. W. G. Mitchell, F.C.A., C. D. North, F.C.A., W. W. Powell, F.C.A., G. W. Smith, F.C.A., D. Steele, F.C.A., Derek Veale, M.A., F.C.A., H. S. Wainwright, O.B.E., F.C.A., Rupert Walton, F.C.A., Victor Walton, F.C.A., A. Welch, M.C., F.C.A. Mr C. W. Boyce, C.B.E., F.C.A., and Mr E. Duncan Taylor, F.C.A., are *ex officio* members of the Committee, as members of the Council of the Institute practising in the district. The Honorary Secretary of the Society's Regional Taxation and Research Committee is Mr D. Steele, F.C.A.

The Society now has groups formally established in Huddersfield, York and Halifax. The honorary secretaries of these groups are:

Huddersfield: Mr G. G. Smith, M.A., A.C.A. York: Mr G. A. Simmonite, A.C.A. Halifax: Mr F. V. Lambert, F.C.A.

The first report of the North Yorkshire and South Durham Branch shows that the membership is 67. Two well-attended lectures were given and two visits were made to factories. The formation of a students' society or discussion groups for towns is being considered. The annual meeting of the Branch was held on the same day as the parent society when the following officers and committee were elected.

Chairman: Mr W. J. E. Rinquist, J.P., F.C.A.
Vice-Chairman: Mr A. Henderson, A.C.A.
Hon. Secretary: Mr C. H. W. Sansom, A.C.A.
Hon. Treasurer: Mr J. C. Gregory, A.C.A.
Committee: Messrs H. D. Anderson, F.C.A., J. B. Fell, A.C.A., J. C. Fortune, F.C.A., A. Henderson, A.C.A., H. E. W. Hinde, A.C.A., W. J. E. Rinquist, J.P., F.C.A., C. G. Sparrow, F.C.A., J. L. Steward, A.C.A., Andrew Whyte, A.C.A., H. Wood, F.C.A. Mr C. U. Peat, M.C., M.A., F.C.A., is an *ex officio* member of the Branch Committee, as a member of the Council of the Institute practising in the district.

Union of Chartered Accountant Students' Societies

Members of chartered accountant students' societies are reminded that all students' societies welcome to their meetings members of other societies who may be temporarily in their area.

There is also an arrangement for transfer of membership without additional fee for members who permanently change their district. Such interchange should be carried out through the secretaries of the societies concerned.

Chartered Accountants' Golfing Society

The fifty-second annual general meeting of the Chartered Accountants' Golfing Society was held at Walton Heath Golf Club on Thursday, May 3rd, 1951. The audited accounts for the year to March 31st, 1951, were approved and adopted and the following appointments were made for 1951–52: *President:* Mr C. le C. Browning; *Vice-Presidents:* Messrs D. V. House, R. J. Pigott, and J. B. Pittman; *Captain:* Mr L. R. Elcombe; *Vice-Captain:* Mr E. H. Wingfield; *Hon. Treasurer and Secretary:* Mr D. V. House, 3 Lombard Street, EC3; *Hon. Match Secretary:* Mr J. B. P. Williamson, 19 Coleman Street, EC2; *Hon. Auditor:* Mr J. S. Hyland. The members of the committee are Messrs R. A. Daniel (London), C. E. Emmerson (London), F. Green (London),

C. G. Midgley (London), F. Pragnell (Nottingham), P. V. Roberts (Bristol), S. G. Sillem (London), A. D. Walker (Liverpool), J. B. P. Williamson (London).

The leading results of the competitions played during the day in which sixty members took part were as follows:

MEDAL COMPETITION (Stableford scoring)

D. E. Webb, 31 + 6⅛ = 37⅛ (wins Captain's Prize, Ernest Cooper Cup and tied for Scratch Prize); K. P. Chapman, 23 + 13⅛ = 36⅛ (wins Second Prize); C. R. Jeffreys, 22 + 12¼ = 34¼; J. C. Powell, 24 + 9⅝ = 33⅝; R. A. Daniel, 26 + 7 = 33; H. G. J. Foulger, 20 + 13 = 33; A. D. Walker, 22 + 10½ = 32½; C. I. Steen, 21 + 11⅜ = 32⅜; H. W. Pitt, 27 + 5¼ = 32¼; Rodway Stephens, 25 + 7 = 32; H. Scott Thompson, 25 + 7 = 32; M. T. W. Easby, 31 + ⅞ = 31⅞ (wins Scratch Prize on last nine holes); J. Dixon, 22 + 9⅝ = 31⅝; M. G. J. Harvey, 22 + 9⅝ = 31⅝; D. Gibson, 23 + 7⅞ = 30⅞; R. S. Bromhead, 21 + 9⅝ = 30⅝; D. H. D. Freeman, 16 + 14 = 30.

GREENSOME BOGEY (Points Scoring)

M. G. J. Harvey (11) and A. D. Walker (12), 38 points (win First Prize); H. Scott Thompson (8) and H. R. Stacey (4), 34 points (win Second Prize); J. Beresford (5) and B. Ashurst (7), 33 points; J. B. P. Williamson (14) and K. P. Chapman (15), 33 points; C. R. Jeffreys (16) and D. E. Webb (9), 33 points; D. Gibson (9) and S. W. Penwill (16), 32 points; J. Clayton (5) and R. Stephens (8), 31 points; A. Lotery (10) and W. B. Paton (6), 31 points; R. J. Pigott (14) and J. C. Powell (14), 31 points; L. R. Elcombe (16) and L. E. Parsons (16), 30 points.

Chartered Accountants' Lodge No. 3162

At the installation meeting held at the Piccadilly Hotel, Regent Street, W1, on May 9th, 1951, W. Bro. Charles Maxwell Strachan, O.B.E., P.P.G.D. (Yorks N. and E.R.) was installed in the chair by W. Bro. G. A. Warley.

The officers appointed were: W. Bro. G. A. Warley, *I.P.M.*; Bro. G. W. Hunt, *S.W.*; V.W. Bro. H. A. R. J. Wilson, P.G.Treas. P.P.G.W. (Middx.), *J.W.*; W. Bro. H. M. Hawthorne, L.G.R., P.M., *Treasurer*; V.W. Bro. Geoffrey Bostock, P.G.Treas., P.M., *Secretary*; W. Bro. A. Granville White, A.G.D.C., P.M., *D.C.*; W. Bro. Graham Adam, *S.D.*; W. Bro. William Robinson, L.G.R., *J.D.*; W. Bro. D. Percy Jones, P.M., *Asst. D.C.*; W. Bro. A. A. B. Yeatman, P.G.Std., P.M., *Organist*; Bro. F. Clive de Paula, *I.G.*; Bro. D. H. Rooke, *Steward*; Bro. R. P. Matthews, *Steward*; W. Bro. E. J. Lambert, *Tyler*.

Amongst those present were: R.W. Bro. Sir Frederick Rowland, P.G.W.; V.W. Bro. Rev. E. G. Turner, P.G.Chap.; W. Bro. M. V. Gosschalk, P.A.G., Reg.; W. Bro. Col. Alexander Woods, P.G.D.; W. Bro. C. F. Glenny, P.G.D.; W. Bro. Gilbert D. Shepherd, P.G.D.; W. Bro. H. L. Taylor, P.A.G.D.C.; W. Bro. W. P. Field, P.A.G.D.C.; W. Bro. Basil A. Smith, P.A.G.D.C.; W. Bro. F. C. T. Lane, P.G.Std.; W. Bro. A. J. Rowe, P.G.P.; W. Bro. J. Parton, P.D.G.M. (Manitoba); W. Bro. T. Ritchie Rodger, P.P.G.W. (Yorks N. & E.R.); W. Bro. G. A. Raines, P.P.G.R. (Yorks N. & E.R.); W. Bro. A. W. Purchas, P.P.G.D. (Yorks N. & E.R.); W. Bro. H. J. Page, L.G.R.; W. Br E. D. Basden, L.G.R.; W. Bro. Norman H. Stubb W. Bro. W. H. Newton; W. Bro. Rodway Stephen L.G.R.; W. Bro. W. G. Campbell, L.G.R.; W. Br W. R. Burrough; W. Bro. K. R. R. Readhead; W. Br R. N. Burnett (Incorporated Accountants' Lodge W. Bro. R. A. Davies, Semper Vigilans Lodge (Cha tered Secretaries).

The Chartered Institute of Secretaries

It is interesting to note, in the year in which th Chartered Institute of Secretaries celebrates i diamond jubilee, that one of its first president Mr W. G. Howgrave, was secretary of the Institut of Chartered Accountants from 1880 to 1899. M Howgrave was the Chartered Secretaries' Presiden in 1897–98.

The Chartered Institute of Secretaries was forme by a group of 18 company secretaries on October 1s 1891; within a year it had more than 500 member In 1902 it was granted a Royal Charter. Its member ship today – 21,000 – is Empire-wide and many of i overseas members will be in England this summer fo the diamond jubilee celebrations, which will includ a special service in St Paul's on June 13th and, on th next evening, a ball in Guildhall, to be followed by masque depicting secretaries throughout the age from the time of Geoffrey Chaucer.

Registered Provident Societies

A general statistical summary[1] comparing th number of registered provident societies, thei membership and total funds over the eleven-yea period from 1939–49 has been prepared by th Registry of Friendly Societies.

The summary discloses a further tightening in th number of societies on the register, so that in 194 there were 26,845 societies, compared with 27,67 in 1948 and 29,817 in 1939. The number of member has increased, however, and totalled 155,842,000 i 1949, an increase of 25,768,000 on the 1939 member ship. The total funds of the societies in 1949 a £2,951,622,000 show a substantial increase on th previous year's figure of £2,800,692,000 and th 1939 figure of £1,809,445,000.

[1] Registered Provident Societies: General Statistical Sum mary, 1939–1949, H.M.S.O. 3*d* net.

Police Force Statistics

The Research Committee of the Institute of Municipa Treasurers and Accountants has issued its secon Return of Police Force Statistics.[1] The return, whic covers the year 1949–50, gives a tabulated descriptio of the strength of the forces in the county borough and the Borough of Cambridge, and details the ne expenditure of the forces chargeable to rates an grants analysed on the basis of the cost per 1,00 population.

The return shows that Stoke-on-Trent has th

[1] The Institute of Municipal Treasurers and Accountant (Incorporated), 1 Buckingham Place, London, SW1. 2*s* net.

largest population density to each police officer, while seemingly less-law-abiding Liverpool has the lowest. The ratio of the number of persons in these two county boroughs to each police officer, assessed on the population estimate at June 30th, 1949, and the authorized police establishment, is given as 812 and 414 persons respectively. The highest net rate-borne police expenditure among the 72 authorities tabulated in the return is listed as £665,815 at Liverpool, where there is no Exchequer equalization grant. Wakefield had the lowest police expenditure to be borne by rates with the sum of £25,158, which was aided by an Exchequer equalization grant of 11·57 per cent.

A similar return for county police forces is published by the Society of County Treasurers.

Royal Army Pay Corps: Short-service Commissions

The War Office has recently announced new conditions under which short-service commissions may be granted to non-serving officers. Vacancies exist in the Royal Army Pay Corps for ex-officers under 45 years of age who have either previous commissioned service in the Royal Army Pay Corps, or possess accounting, banking or secretarial qualifications, or a degree in commerce or economics.

Those accepted will be granted short-service commissions for a period of eight years, of which any period from two to eight years may be spent in the active list. On satisfactory completion of the active-list period of their service, short-service officers other than those who on release from service on their emergency commission were awarded retired pay under Pay Warrant, 1940, Article 643, or Army Order 18 of 1949, will be eligible for a gratuity as follows:

For two years' service ..	.. £160
For three years' service	.. £300

and £100 for each completed year's service over three years.

In the case of officers who are in receipt of retired pay under Pay Warrant, 1940, Article 643, or Army Order 18 of 1949, Section IV, the issue of retired pay will be suspended during the period of their active-list service, and that service will reckon towards an increased award of retired pay under Army Order 18 of 1949, Section IV, on its satisfactory completion.

Commissions will be granted in the previous substantive rank held. Promotion to higher ranks is by time, all commissioned service on full pay since September 3rd, 1939, being reckonable, as follows:

After six years' commissioned service – captain.

After thirteen years' commissioned service – major.

Officers will receive pay and marriage allowances appropriate to their rank at current rates, of which the following are examples:

Pay	*Per diem.* *s*	*d*
Lieutenant after three years in the rank ..	23	6
Captain (on appointment)	29	0
Captain (after two years in the rank) ..	31	0
Captain (after four years in the rank) ..	33	0
Captain (after six years in the rank) ..	35	0
Major (on appointment)	42	0
Major (after two years)	44	0

Marriage allowance: 18*s* 6*d* per diem.

In addition, allowances are admissible for lodgings and rations if not residing in camp.

During the period of service, officers may be considered for permanent regular commissions subject to current rule. Full details of this scheme and further information regarding possibilities of obtaining a regular commission may be obtained from the Under Secretary of State for War, The War Office (F.9a), Whitehall, London, SW1.

The Appointments Committees at Oxford University

The recently published reports for 1950 of the University of Oxford Appointments Committees for men and women show that registrations in 1950 were high with both committees – during the year there were 1,081 new men registrants and 234 women candidates were seeking their first posts.

In the men's educational field the main feature of the year was a reduction in the number of vacancies notified, which would seem to imply more adequate school staffing; however, 258 appointments were obtained through the Committee. In industry and commerce the Committee obtained appointments for 269 men and in Government service 112 appointments were gained. The total of appointments taken up through the Committee in 1950 was 670.

During the year a very large part of the work of the Appointments Committee for women was advisory – as many as 546 interviews were given. Appointments obtained through the Committee were: Government and quasi-government, 22; commerce and industry, 30; social service, 11; secretarial, 20; literary, 8; research, 7; educational, 34; miscellaneous, 1; vacation posts (non-educational), 11; total 144. These figures include 25 temporary, vacation or part-time appointments.

Recent Publications

Building Society Branches: Their Development and Organization, by A Research Group of The Building Societies Institute. 72 pp. 8½ × 5½. Paper cover. 4*s* 6*d* net. Franey & Co Ltd, London.

AND SO IT GOES ON, by Roy Harrod, Lecturer in Economics, Christ Church, Oxford. x + 192 pp. $7\frac{1}{2} \times 5$. Paper cover. 6*s* net. Rupert Hart-Davis Ltd, London.
CYCLICAL MOVEMENTS IN THE BALANCE OF PAYMENTS, by Tse Chun Chang, PH.D.(CANTAB.). ix + 223 pp. $9 \times 5\frac{1}{2}$. 18*s* net. Cambridge University Press, London.
THE ACCOUNTING MISSION, by F. Sewell Bray, F.C.A., Senior Nuffield Research Fellow in the Department of Applied Economics, University of Cambridge. vi + 89 pp. $8\frac{1}{2} \times 5\frac{1}{2}$. 15*s* net. Published for the Commonwealth Institute of Accountants by Melbourne University Press. (Great Britain: Cambridge University Press, London.)
THE COMPANIES ACT, 1948, by S. W. Magnus, B.A., Barrister-at-Law, and Maurice Estrin, A.S.A.A. Second Edition. xxxi + 855 pp. $10 \times 6\frac{1}{2}$. 50*s* net. Butterworth & Co (Publishers) Ltd, London.
PRINCIPLES OF ACCOUNTING, by Stanley W. Rowland, LL.B., F.C.A., Fourth Edition revised by R. Glynne Williams, F.C.A. xvi + 586 pp. $8\frac{1}{2} \times 5\frac{1}{2}$. 17*s* 6*d* net. The Donnington Press, St Albans, and The Gregg Publishing Co Ltd, London.
THE PUBLIC GENERAL ACTS AND CHURCH ASSEMBLY MEASURE OF 1950. cxxxviii + 1000 pp. $9\frac{1}{2} \times 6$. 32*s* 6*d* net. H.M.S.O., London.
THE LEEDS CHAMBERS OF COMMERCE, by M. W. Beresford, Lecturer in Economic History in The University of Leeds. 192 pp. $8\frac{1}{2} \times 5\frac{1}{2}$. 10*s* 6*d* net. Leeds Incorporated Chamber of Commerce, Leeds.
THE LAW AND PRACTICE OF MEETINGS, by Frank Shackleton, F.C.I.S. Third Edition. xx + 364 pp. $8\frac{1}{2} \times 5\frac{1}{2}$. 35*s* net. Sweet & Maxwell Ltd, London.
INCOME TAX TABLES at the new rates of 9*s* 6*d* and 6*s* 6*d* in the £. 1*s* 3*d* including postage. Edwards & Smith (London) Ltd.
INTEGRATED COST AND FINANCIAL ACCOUNTS, by G. B. Souster, A.C.W.A. vi+88 pp. $7\frac{1}{2}\times 5$. 10*s* 6*d* net. Sir Isaac Pitman & Sons Ltd, London.
SECRETARIAL PRACTICE. The Manual of The Chartered Institute of Secretaries. Sixth Edition. x+1,010 pp. $8\frac{1}{2}\times 5\frac{1}{2}$. Cloth 21*s* net, rexine 25*s* net. W. Heffer & Sons Ltd, Cambridge.
DIFFERENTIAL RATING, by R. Horsley, A.I.M.T.A., F. N. Padgham, A.I.M.T.A., A.S.A.A., and H. R. Page, M.A.(ADMIN.) A.I.M.T.A. 32 pp. $8\frac{1}{2}\times 5\frac{1}{2}$. 1*s* net. The Institute of Municipal Treasurers and Accountants (Incorporated).
THE STOCK EXCHANGE OFFICIAL YEAR BOOK 1951, Volume I. cxlii+1,538 pp. $9\frac{1}{2}\times 6\frac{1}{2}$. Two volumes complete £6 net. Thomas Skinner & Co (Publishers) Ltd, London.
BOOK-KEEPING FOR SOLICITORS, by R. J. Carter, B.COM., F.C.A. vi+167 pp. $8\frac{1}{2}\times 5\frac{1}{2}$. 25*s* net. Butterworth & Co (Publishers) Ltd, London.
AUDITING PRACTICE, by R. Robert Coomber, B.SC.(ECON.), F.C.A., F.S.A.A. xvi + 456 pp. $8\frac{1}{2} \times 5\frac{1}{2}$. 21*s* net. Macdonald & Evans Ltd, London.
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Postal Orders by the Million

During 1950 the Post Office issued about 470 million postal orders. The following was the order of popularity of the main denominations: 59 million at 2*s* 47 million at 2*s* 6*d*; 42 million at 5*s*; 41 million at 20*s* 40 million at 3*s*; 32 million at 1*s*; 26 million at 4*s* 24 million at 1*s* 6*d*; 20 million at 6*d*; 18 million at 10*s* 18 million at 6*s*; 17 million at 3*s* 6*d*.

Our Weekly Problem

NO. 44: THE NAUGHTY BOYS OF OURTOUN

'I see', said Mr U. N. Ravel, 'that no less than 20 per cent of all the crime in Ourtoun is committed by children of the 12–13 age group.'

'It is very satisfactory that that is the peak age of crime', said Mr L. U. Sidate. 'In the 23–24 age group, the percentage is down to $8\frac{3}{4}$ per cent. But', added Mr Sidate, 'the percentage of class II crimes is, in general, nine times greater in the 21–24 group than in the 12–13 group.'

'What are class II crimes?' inquired Mr Ravel.

'Crimes against property, with violence. Take the Island of Letemalona. The criminal population is just the same but the peak age there is 23–24 so that there are 1,080 more in this age group than in the 12–13 age group; in fact, the percentage of the two age groups is reversed but the total class II crimes of the two groups are 216 more than in Ourtoun. That is why I think Ourtoun is lucky in having its peak age of crime in the naughty-boy class.'

How many 'naughty boys' in Ourtoun aged 12 or 13 are convicted of crimes against property, with violence?

The answer will be published next week.

ANSWER TO PROBLEM NO. 43: PIE PUN

$$\text{Circumference} = \frac{22 \text{ Diameter}}{7}$$

Total distance, both routes $\frac{c}{2} + d = 880 + 880 + 40$ yds.

Hence $c = 2{,}200$ yards, i.e. the length of the ring road was $1\frac{1}{4}$ miles.

The Accountant

ESTABLISHED 1874

MAY 26TH 1951 VOL. CXXIV NO. 3988

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GUILT BEFORE INNOCENCE?

THAT an accused person is innocent until his guilt has been proved beyond reasonable doubt is of course one of the most important principles of English criminal law. Until recently, deviations from this principle have been slight and founded on good reason, as for instance in a charge for receiving stolen goods, where, once the possession of the goods is proved, it is for the accused to show that he came by them innocently.

Since the war, however, there has been a disturbing tendency to abrogate this salutary principle to the detriment of those persons who accept office as directors or secretaries, or similar offices, in limited companies and other bodies corporate. Twelve different statutes passed in the last five years impose penalties on such persons, which they can only avoid by discharging a difficult burden of proof. The provision imposing the penalty is worded in each case substantially as follows:

> 'Where an offence against this Act has been committed by a body corporate, every person who at the time of the commission of the offence was a director, general manager, secretary or other similar officer of the body corporate, or was purporting to act in any such capacity, shall be deemed to be guilty of that offence, unless he proves that the offence was committed without his consent or connivance and that he exercised all such diligence to prevent the commission of the offence as he ought to have exercised having regard to the nature of his functions in that capacity and to all the circumstances.'

The provision appears in the following Acts: Borrowing (Control and Guarantees) Act, 1946; Coal Industry Nationalization Act, 1946; Civil Aviation Act, 1946; Exchange Control Act, 1947; Cotton (Centralized Buying) Act, 1947; Statistics of Trade Act, 1947; Transport Act, 1947; Electricity Act, 1947; Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948; Gas Act, 1948; Iron and Steel Act, 1949; Air Corporations Act, 1949.

A private member's Bill (Directors, etc., Burden of Proof) has now been introduced with the aim of modifying this provision so that the defendant shall not be liable to conviction unless it is proved that the offence committed by the body corporate of which he was chairman, director, general manager, secretary or other officer, or of which he was purporting to act in that capacity, was committed with his consent or connivance or was attributable to his negligence. All those persons holding office in companies will watch the progress of this timely Bill with great interest.

Meanwhile, clause 32 of the Finance Bill, which imposes penalties for changing a company's residence etc., brings the director new perils. In proceedings under the clause he must prove that he did not know that the act complained of was unlawful; he will be presumed to have been a party to the act unless he proves that it was done without his consent or connivance.

RENT CONTROL AND REPAIRS

MORE than eleven million fortunate tenants of controlled houses still pay rents at 1939 rates or less, although wages have more than doubled since 1939 and the cost of repairs is now nearly three times what it was then. To expect landlords to maintain houses in repair out of purely academic rent figures would be to take an entirely unreal view; while the number of tenants who voluntarily assume the burden in their own interest is minute. A cursory survey of house property confirms the logical inference that repair work is being neglected, and new slums created at an alarming rate. A comprehensive rationalization of the present rent control chaos cannot be hoped for yet. What then should be done in the meantime? This question receives a compelling answer in a memorandum published last week by the Royal Institution of Chartered Surveyors.[1] Briefly the answer consists in increasing controlled rents by a sum equal to about 175 per cent of the statutory repairs allowance for each house, on condition that it is kept in reasonable repair.

The Institution points out that the effects of non-repair are cumulative and that every house which ceases to be habitable has to be replaced by a local authority house, which imposes a burden on the taxpayer even greater than the burden of repairs. It rejects any solution which consists of the assumption by local authorities of the burden of repairing privately-owned houses. Instead, it concentrates on finding some workable means of making the tenant contribute a reasonable sum towards repairs. A percentage increase in rent would still further increase the present anomalies arising from rent control, under which the rent of a house depends not on what it is worth but on when it was first let. A flat-rate increase in rent would clearly not be appropriate since the cost of repair varies with the size. The Institution made an extensive survey, through its members, of costs of repair in 1939 and came to the conclusion that in general adequate repairs at that time cost a sum roughly equal to the statutory deduction for repairs which was made in arriving at rateable value. Other extensive research of the Institution shows that the cost of repairs had increased by about 175 per cent by March of this year. It is fair to assume then that the increase in cost of repair of a house, in terms of money, represents about one-and-three-quarter times the statutory repairs deduction. Accordingly the Institution recommends that rents be increased by this amount in order to make sufficient money available to enable necessary repairs to be carried out. To secure uniformity the scale of deductions applicable outside London would be applied for this purpose to London houses as well.

The scale deduction for rating does not vary so much as the income-tax scale. For gross values ranging from £17 to £28, the scale deduction is the same, namely, £7. Accordingly, if the increase in repair cost was taken at 175 per cent, the increase in rent for all houses within those limits would be £12 5*s* 0*d* per annum, or less than five shillings a week.

Where the tenant was under a contractual obligation to do all the repairs, there would of course be no increase, and where he had to do part of the repairs, the increase would be subject to agreement between landlord and tenant, with a right to refer disputes to the County Court. Houses let for the first time well after 1939 would be subject to special rules. They would be comparatively few in number and could perhaps best be dealt with by rent tribunals.

Landlords receiving an increased rent would of course be bound to keep the house in repair, failing which the tenant could obtain a certificate of disrepair from the local authority and could thereupon withhold the increased rent. It would be physically impossible for all repairs at present outstanding to be dealt with at once. Local authorities and landlords could therefore agree repair programmes, compliance with which would ensure that a certificate of disrepair was not issued.

The Institution is to be congratulated on a clear and well-informed review of the present situation and the trend in prices and on the simplicity and workability of its proposals. The idea that the cost of repairs should in some part be borne by the person directly benefiting from them may seem heterodox to some, and will certainly arouse opposition, but the logic of it is inescapable.

[1] 'Rent Restrictions and the Repair Problem', obtainable from the Institution at 12 Great George Street, London, SW1 (2*s* 3*d* post free).

A SALES RECORD STUDY

THE SALE OF GOODS ACT, 1893, AND THE AUDITOR

by FREDERICK A. ROBERTS, A.S.A.A.

A true and fair view of profit cannot result unless in determining the profit, the figure taken to account as sales represents sales in law. In his verification of sales, the author submits that the auditor seldom considers the application of the provisions of the Sale of Goods Act, 1893.

IT is unfortunate that what is termed 'business expediency' may well involve the subordination of the law. All valid business transactions are governed by a principle or requirement of law and the figures which record the transactions are also so governed: therefore, any financial account or statement which does not legally record a transaction can be challenged by an interested party and set aside by the Courts.

The ground of expediency cannot sustain a claim that a profit and loss account shows a true and fair view of the profit if figures included as sales represent transactions which are not sales in law. Accounts are subordinate to the law.

The Auditor and his Verification of Sales

A knowledge of the Sale of Goods Act is within the educational curriculum of accountants and secretaries; those originally responsible for its inclusion undoubtedly regarded such knowledge as being of vocational importance. It is indeed striking, therefore, that in the course of audit the importance of the Act appears to be completely overlooked by the profession. During many years in the profession I have not met a single case in which an audit programme contained any reference to a consideration of the Act in the verification of sales.

It is usual for the auditor to check or test the sales record with copy invoices and to test the collectibility of resultant debts outstanding at the end of the financial period by evidence of settlement after the accounting date; and as to such debts as are outstanding at the date of his examination, to test the probability of later collection aided by his knowledge of the normal period of credit granted by his client. As the sales figure is the root of the profit result, the limited character of this method of verification is indeed remarkable.

In considering 'internal check' preparatory to drafting his audit programme, the auditor frowns if he finds that the system of the business of the client is such that it is possible for goods to leave the premises without being invoiced. We have the firmly established recognition that goods must be invoiced at the time of their leaving the factory. Expedient though this is, the important fact remains that in law the point of despatch is seldom the time for the preparation of the invoice. I follow by indicating the reasons for this contention.

The Invoice to the Customer

If A. and B. contract for the supply of goods to A., there is a point at which the legal property (the ownership) of the subject matter passes from B. to A.: at that point B. is deprived of his ownership in the goods and becomes possessed of a new asset – a debt recoverable (legally a chose in action). The purpose of the invoice is to notify A. that the legal property passed to him and that correspondingly he assumed debtor relationship with B. on the date shown on the invoice.

The vital question therefore in all contracts of sale is to determine the day of the legal passing of the property. In making my following points I am assisted by the contents of a letter from a reader to the Editor which appeared in the correspondence columns of *The Accountant* of May 5th, 1951.

Contract in Work in Progress

'Company Secretary' states that in his company's valuation of work in progress at the end of its year to December 31st, 1950, was included work in respect of a contract which was substantially completed. The contract was f.o.b. and the goods were despatched from the works between January 4th and 8th, 1951, and were on board by January 12th, on which date an invoice was sent to the customer.

The auditors expressed the opinion that this position should be recorded as a sale at December 31st, 1950, that the full value should be brought to account under the heading of 'debtors' and that packing, transport and loading charges should be included in the creditors. Alternatively, the auditors suggest that the value of the work should be included in work in progress at the year-end at full selling price less the amount of packing charges.

'Company Secretary', in his letter expresses dissent with the view of the auditors and states that no 'debtor' existed until the goods were despatched and that the alternative treatment suggested by the auditors involves the taking to account of profit on that which is virtually stock-in-trade.

I have no doubt whatsoever that the contention of 'Company Secretary' is properly founded and I submit the steps in the reasoning which I apply and indicate the relevant sections of the Act.

When does a contract of sale result in a sale?

Section 1, subsection (3) reads:

> 'Where under a contract of sale the property in the goods is transferred from the seller to the buyer the contract is called a sale; but where the transfer of the property in the goods is to take place at a future time or subject to some condition thereafter to be fulfilled the contract is called an agreement to sell.'

Subsection (4) reads:

> 'An agreement to sell becomes a sale when the time elapses or the *conditions are fulfilled* subject to which the property in the goods is to be transferred.'

Applying these subsections to the circumstances set out by 'Company Secretary', there was merely a contract of sale when the customer contracted with the company for the manufacture and supply of the goods: there was no sale at that time because there was a condition to be fulfilled which was that the goods were to be placed free on board by the company: therefore the agreement to sell became a sale upon that condition being fulfilled.

Thus it follows that as the goods were placed on board on January 12th, the legal property did not pass before that time: as to whether it passed at that time or afterwards depended upon the answer to a further question – Were the goods unconditionally appropriated upon shipment to the contract? The placing of the goods on board was certainly an appropriation but one must further look for unconditional appropriation.

Unconditional appropriation

Section 18 requires *unconditional* appropriation. We have so far found appropriation but as to whether it was unconditional the further question remains – Did the company reserve the right of disposal?

Reservation of right of disposal

Section 19, subsection (1) reads:

> 'Where there is a contract for the sale of specific goods or where goods are subsequently appropriated to the contract, the seller may, by the terms of the contract or appropriation, reserve the right of disposal of the goods until certain conditions are fulfilled. In such case, notwithstanding the delivery of the goods to the buyer, or to a carrier or other bailee or custodier for the purpose of transmission to the buyer, the property in the goods does not pass to the buyer until the conditions imposed by the seller are fulfilled.'

Section 19, subsection (2) is in these terms:

> 'Where goods are shipped and by the bill of lading the goods are deliverable to the order of the seller or his agent, the seller is prima facie deemed to reserve the right of disposal.'

'Company Secretary' does not state whether by the bill of lading the goods were deliverable to the order of his company or to the customer. If at the time of shipment they were deliverable to the customer, the legal property passed at that time because there was no reservation of the right of disposal. If the bill was in favour of the company at the point of shipment there was a reservation in the right of disposal because the bill in this form indicated that the legal property was not to pass until some condition was fulfilled – such as the receipt of cash for the supply: accordingly, the bill would be endorsed over on the satisfaction of this condition and the legal property would thereupon pass.

The answer to 'Company Secretary' in summary is, therefore, that the legal property certainly did not pass before the day of shipment: as to whether it passed at that time or thereafter depends upon the form of the bill of lading. 'Company Secretary' will know this and the reply is therefore complete. The work in progress representing the subject matter of the contract should therefore have been included in the accounts at December 31st and valued on the normal basis adopted by the company.

The suggestion that the packing and transport charges which had not been incurred at the end of the company's year should be included under the caption of 'creditors' in the balance sheet is, with respect to the auditors, untenable. The goods were on the company's premises on December 31st and the process of transport therefore had not begun. How could there be any liability to the carriers for payment for services not commenced?

Instances of my Experience in Review

I have referred to what are probably the three most important sections in the Act. In these days of increasing export business, Section 19 is of everyday application. I now take the opportunity of giving some examples from my actual experience which may be of interest and further illustrative of the principles we are considering.

The sales price of the goods of a company included cost of transit to the customer (in other words the price was carriage paid).

Procedure followed. The goods were invoiced to the customer at the time of despatch and if the goods were lost or damaged in transit, the customer's account was subsequently credited. The confusion of thought which subsisted in the company is at once apparent: by invoicing at the time of despatch the company purported to advise the customer that he thereupon became the legal owner of the goods: if this be accepted for the argument, why did the company think fit to make good the losses to, or damage of, property belonging to another?

Correct treatment. Upon the order being received and accepted by the supplying company, a condition had to be fulfilled which was that the goods were to be dispatched to the customer's premises: therefore until that condition was fulfilled there was but a contract of sale and a sale firstly resulted at the time of delivery. During the whole course of transit there subsisted but an agreement to sell. The proper date for invoicing was that of delivery and loss or damage was the concern of the company.

Second Company. This company conducted its export business by the aid of sight drafts

Procedure followed. Upon the day of despatch of the goods, the invoice was completed and a sale recorded in the books, the customer's account was debited and on the same day credited with the amount of the sight draft which was thereupon included with bills receivable. At the end of the year a substantial number of these sight drafts was outstanding, indicating that the customers had not taken the relevant goods.

Correct treatment. The adoption of sight-draft procedure clearly indicated that the company was prepared to conduct its foreign business only on a cash basis – no cash no goods. Resort to this method clearly indicated the intention of the company as to when the legal property was to pass (Section 18) – upon receipt of cash. The fact that sight drafts were outstanding at the end of the year showed that the legal property had not passed although a sale had been previously recorded by the company.

In this case a sales ledger as such was not necessary because not one moment's credit was granted – a memorandum ledger would have met the requirements and the first and only effective entry should have been that relating to the receipt of cash and the credit to sales. The true asset at the accounting date was not bills receivable but stock-in-transit.

Financial Effect of Sales wrongly recorded

Invoicing upon despatch involves in most cases the ante-dating of sales figures with a resultant increased and inaccurate profit. Tax assessment is invited upon figures a year ahead of that when the true liability should accrue. Even the largest companies today are not very ready to pay tax in advance and in fact it may not be merely a question of the payment of tax in advance but it may involve the payment of tax on profits which may never accrue.

As to profits-tax liability the fraction adopted in determining the net distribution from the gross distribution must be affected by the profit figure; and although as to income-tax it might be said that subject to a constant rate of tax no damage is done, it is of the utmost importance with profits tax that profits for the year are carefully ascertained.

As I recall, the excess profits tax terminated at December 31st, 1946. Can there be any doubt that so-called expediency in invoicing at the wrong time imposed liability on a substantial element of incorrect profit over the whole of commercial and industrial activity?

Suggested Amendment in Audit Procedure

I submit that there can be no doubt whatsoever that the auditor should direct his attention to this profound consideration. The testing of sales records with copy invoices is incomparable in importance with the ascertainment that sales have been recorded at the proper time.

This is by no means a difficult procedure generally, although the question as to when the legal property passes in some cases may be somewhat complicated. I suggest that the fundamental questions to be asked by the auditor are: Upon what basis is the home trade conducted? Does the price include carriage to the premises of the customer? As to the export business, are the contracts f.o.b., c.i.f., or ex. ship and in what form are the bills of lading? With the answer to these questions and his knowledge of the Act, the auditor can determine the date of the transfer of the legal ownership: he has then only to test that the invoices bear the date of the transfer of the ownership and that the sale is recorded only upon that date.

I respectfully congratulate 'Company Secretary' for bringing his question before the Editor. It is difficult to imagine a more important or interesting subject.

GARAGE ACCOUNTING–I

by E. V. HARBER, F.I.A.C.

The author, who is chief accountant of the Lex Organization including Lex Garages Ltd, describes an efficient and proved system of control devised and operated by a large multiple branch retail motor organization. He shows with sufficient detail how the varied transactions are recorded, verified, and condensed into simple statements at frequent intervals for the information of the management, and how these short-term results can be welded into the final accounts of the company.

Perspective

THE motor trade is still, in years, one of the comparative infants amongst the established industries of the country, for it is little more than half a century since every 'road locomotive' had, by law,

> 'to be preceded at a distance of 100 yards by a man on foot carrying a red flag to warn pedestrians of its approach',

and was only allowed to travel at a speed not exceeding four miles per hour.

The growth of the industry has been meteoric, as is evidenced by the fact that from such a restricted beginning the number of currently licensed road vehicles in this country had grown to 800,000 in 1921, to two million in 1930, to three million in 1939, and early this year was considerably in excess of four million. To this huge figure some 11,000 new registrations are being added every month in spite of the demands of the export drive and the chronic scarcity of new vehicles on the home market. So in its short life, this industry has established itself as one of the greatest of our manufacturing and exporting trades. On both the productive and distributive sides, the ramifications of the trade are colossal and cover a veritable cosmopolitan collection of businesses.

On the manufacturing side, the production of the complete vehicle has given rise to many individual trades, specializing in the supply of components and accessories, and has had considerable influence in the improvement of fuels, lubricating oils, and pneumatic tyres. As in most trades, distribution is divided into wholesale and retail, the former section comprising the distributors of new vehicles and the factors who market the majority of replacement components, accessories, tools, and equipment.

The retail motor trade is, to all intents and purposes, and with the exception of those organizations devoted only to the sale of new and second-hand cars, 'the garage'.

Elucidation

To the man in the street, a garage is any business which exists to supply any one or more of the needs of the motorist, from the 1,000 car super service station of the West End down to the one man, one-pump petrol station by the waysid Generally speaking, anything is a 'garage'.

In the trade, however, there is a three-stag classification according to the scope of activitie First, there is the petrol station which sets o to serve its customers with their requirements petrol, oil, air, and water and has available reasonable range of tyres and accessories base upon the normal volume and type of its trade.

A garage is a more comprehensive establish ment which, in addition to the facilities of petrol station, has space available for garagin and, possibly, is equipped for the greasing an washing of vehicles.

Going one stage further we have the complet organization known as a service station whic has in addition a fully equipped workshop cap able of carrying out any repairs and adjustmen which the modern vehicle may need and giving technical advice to the owner. It will hav proper equipment for towing in to its worksho any vehicle which is immobilized; it will be ab to arrange car insurance and car hire and wi in all probability, have a car sales departme dealing in new and second-hand cars. It may ev consider the needs of its customers to such extent that it has available bath and changi rooms, a cloakroom for the safe custody customers' belongings and a restaurant. Such the evolution of service in the retail motor tra

Necessity for Accounting

In all businesses, great or small, there must some method of measuring the yield to the pr prietor, whether it be single-entry in the wel thumbed note-book of the owner of that one-ma one-pump wayside petrol station, or an elabora system of the multi-branch public compan There was a time, fortunately many years ag when every garage owner was looked upon as rogue and a robber and that reputation wa perhaps, not unjustified in some quarters. B it was contributed to largely by the lack knowledge on the part of the motorist who d

not then realize that proper servicing of his vehicle was nothing less than an insurance on its future performance.

The motorist has an insatiable appetite for attention at all hours of the day and night and, in consequence, many larger service stations never close – they are staffed to attend to the motorist's requirements 24 hours a day, 365 days a year. When we add to that the facts that there are over four million regular customers and that the majority of their requirements are of an abstract or intangible form, it is easy enough to realize that the accounting system of the efficient garaging organization must be complete and comprehensive in its detail and control, and yet simple enough in its operation to be within the scope of the office staff who are on duty for only one-third of the operational day. Let us bear in mind throughout that a vehicle that has had an internal repair, has been greased, has been garaged, or has been filled up with petrol and oil, leaves the premises looking exactly as it did when it entered; that such is the variety of external equipment and condition of vehicles on the road today that it would not necessarily be obvious that it had been washed, fitted with a new spot lamp or new tyres, or had body work carried out on it.

It is therefore essential that the accounting system be set up to record any of the operations which may be carried out. Even so, the detail of the accounting system will depend to a great extent upon the particular requirements of the proprietors or their executives, although in any case it must give efficient control of all activities if the business is to be successful and progressive.

Aim of the System

The system which I shall describe is one which has stood the test of time inasmuch as it has been in operation for twenty years and has given the results expected of it. It was designed to portray the activities of each station operated by a multi-branch public company and could therefore be adapted to suit any individual service station, garage or petrol station or any group comprising any number of each or all such classifications. It has been amended from time to time to give greater control of certain activities, to reduce man-power during the war years, to expand with the revival of trade since the war, and to keep pace with increased experience and the trend of trade. It is, if I may say so, a judicious blending of opposites; of centralization and decentralization; of machine accounting and hand-posted ledgers; of internal accounting periods and external calendar months, which for so many years have worked in harmony.

It sets out to produce every month for the management the trading results and the provisional net profit of each of the seventeen branches and departments of the organization in a form which may be easily compared with previous results and with budgetary control; and to accumulate such results, together with a supplementary adjusting period, into the annual accounts of the company.

Broad Outline

For accounting control, the stations of the company are grouped into areas according to locality. Each area has a central office under the control of an area cashier who is responsible for the analysis and recording of sales and the statistical records relating thereto; the sales ledgers; the banking of cash received; the disbursement of petty cash; the recording of internal movements of stock; the supervision of the records of storekeepers and cost clerks; and the compilation of wages and salaries applicable to the stations of his particular area.

Meanwhile, the accountant at headquarters deals with all payments due by the company (other than local petty cash); the company cash book, the purchase ledgers; calculation, deduction, and reconciliation of P.A.Y.E. for the whole company; credit control and debt recovery; and the internal accounting of the organization as well as being responsible for the administration of the complete system.

As it would not be economical to instal book-keeping machines at each station or even at each area office, a central machine room is set up at headquarters where all sales and purchase ledger postings are carried out. This means that as far as sales ledgers are concerned, all the posting media has to be prepared by the area offices and forwarded by post daily to headquarters, and it follows that the area cashier is unaware of the current balance on any particular customer's account; but it has the great advantage of economy and flexibility, enabling the work to proceed smoothly during holiday periods and temporary absence of any operator owing to sickness. However, the cashier has adequate control of his sales ledgers and has permanently in his possession all details of his accounts other than those relative to the current month.

Accounting Period

For internal accounting and to facilitate the comparison with previous results, the year is divided

into four quarters, each of which consists of two four-week and one five-week months as follows:

January, four weeks: January 1st to 28th.
February, four weeks: January 29th to February 25th.
March, five weeks: February 26th to April 1st, and so on.

These accounting months take the name of the calendar month with which they nearly coincide and the odd day of the year is absorbed into December which becomes a thirty-six day period. In view of the correspondence on 'Accounting period' in *The Accountant* last year, I would stress that these internal accounting months do not in any way affect sales and purchase ledgers which are maintained on a calendar month basis. This dual period aspect of accounting is achieved quite simply by totalling books of original entry at the end of each accounting month and by further sub-totalling at the end of each calendar month, effecting a reconciliation of the adjustment accounts between the two dates. The great advantages of the internal accounting month are the elimination of involved calculations in the apportionment of fixed and standing charges and the ease of comparison of the trend of sales, gross profit, and expense from month to month.

Daily Routine

Although every station has an appreciable number of regular customers purchasing on credit account, a large proportion of the trade is with casual customers and to a great extent is therefore on a cash basis. Bearing this in mind and allowing for the length of the operational day as compared with normal office hours, it is essential to employ every possible means of verifying the apparent cash takings collected by the area cashier every day.

Where stations operate on a twenty-four-hour basis it is necessary to determine the time at which the day's business terminates, especially as midnight is unsuitable owing to the reduced staff available at that time. Nominally, therefore, the trading day finishes at 8 a.m. and although this time has to be varied in some cases owing to local conditions, such variations will be ignored for the purposes of this article.

It also follows that as the hours of business are longer than any one operator's working day, there must be changes of sales staff during the operational periods and, in order to meet the demands of customers, it is normal practice for all garage and petrol station staff to work on a shift system spread over the seven-day week. The actual hours of each man's shift will depend entirely on local conditions because rush periods will vary considerably between one area and another. From the point of view of control, it is most desirable that the cash takings between each change of shift be reconciled with the stock sold during that particular period, so that the investigation of discrepancies can be narrowed down and the results thereof be scrupulously fair to all sales staff on duty.

The Petrol Station: Petrol and Oil Sales

I will now deal, under appropriate sub-headings with daily sales and the work of the area cashier and his staff in the verification and recording of them.

As we have already seen, the petrol station may be complete in itself or may form part of a larger establishment, but in either case the procedure applied to this part of the business is the same. The salesman of the organization is the petrol station attendant, whose prime functions are to sell commodities and give service to customers in the form of cleaning windscreens checking oil and water, blowing up tyres and advising on the elementary technical requirements of the motor-car apart from serving the customer with his stated requirements of petrol He is not a clerk but, as is usual in retail businesses he has to make the initial record of each sale In order to eliminate unnecessary recording, no entry is required of the cash sales of petrol because the price per gallon is fixed and each petrol pump is fitted with a flow meter which accurately records the cumulative number of gallons delivered. All credit sales of petrol, however, must be recorded so that the customer may be charged and the sales staff correctly assessed in respect of cash transactions. But the price of oil varies according to the quantity purchased – a quart being cheaper than two pints and a half-gallon being less expensive than two quarts – so although oil pumps also have flow meters, every sale, whether for cash or on credit, must be recorded individually.

Small invoices, normally referred to as 'dockets' are provided for credit sales and the signature of the customer, or his duly appointed representative, must be obtained thereon for the supplies drawn. These invoices are in triplicate and in book form, the original and first copy being perforated whilst the second copy is fast. The original is the customer's invoice and is normally issued to the customer at the time of the purchase (unless otherwise directed by the customer and the first copy remains in the book to be dealt with by the area cashier.

Daily Sales Sheet

A 'daily sales sheet' is provided for the recording of sales and is ruled to show: credit petrol sales – docket number, gallons and brand; cash oil sales – meter reading, pints and value; credit oil sales – as for cash oil sales, except that the docket number is entered in the 'value' column.

Columns are printed for the popular fast-moving brands of oil and additional unheaded columns are available for oils in local demand. Normally one sheet is sufficient for one day's transactions at stations averaging up to 1,000 gallons of petrol per day and a horizontal line is drawn across each column at every change of shift, subsequent transactions being recorded below the line.

At stations selling more than 1,000 gallons of petrol per day, registers giving analysis in cash and credit sales, petrol in gallons and oil in pints by brands are installed, as hand-recording could not keep pace with the flow of traffic.

Sales Control

At each change of shift a 'daily sales control' is prepared by the foreman on duty, showing the opening and closing meter readings of all petrol and oil pumps and the dips of the tanks at the close of the shift. It should here be explained that the only method of assessing stocks is by the use of the calibrated dip stick provided for each storage tank. The difference between the meter readings represents the gallonage of petrol and the pintage of oil sold during the period and, after allowance for credit sales, provides reliable data for the verification of the cash takings. The closing dips, when compared with those for the previous shift, support the meter readings and in the case of petrol give day-to-day control of the losses due to evaporation as well as providing a reliable guide as to the accuracy of the delivery of the pumps. Excessive losses would immediately point to over-delivery, i.e. the delivery of more than a gallon of petrol for each gallon recorded by the meter; and although such losses would not affect the assessment of the day's sales, they would call for verification of the measuring machinery of the pumps.

At the end of the operational day, a 'daily petrol record' is prepared, bearing the signatures of the senior staff going off duty and those coming on, showing the opening and closing meter readings and closing stocks. This record is used by the area cashier as a master control of the day's activities and as a guide for the ordering of further supplies. After having served as an overall control of the day's sales it forms the basis of the statistical records of the week and month.

With the aid of these forms the area cashier is able to complete the total sales of petrol and oil, and after allowing for credit sales, to calculate the cash takings for the period and compare with the money handed in.

Meanwhile the duplicates of credit sale dockets are summarized by the area cashier, entered in the sales journal, and passed to the headquarters machine room for posting to customers' accounts.

The Petrol Station: Accessories and Tyre Sales

Even the smallest petrol station effects sales of accessories and tyres and for this purpose has a showcase holding a fixed stock of items normally in demand and a reserve stock from which replenishment can be made. In a multi-branch organization replacement of sales will be made from the area stores.

Where such sales are small, they may be recorded in the sundries column of the daily sales sheet described above, but where the volume is sufficient a 'daily sales sheet – repair and valeting services, accessories and tyres' is employed. This form is provided with columns for recording the cash sale docket number, the amount of the sale and for departmental analysis. In such cases and in order to minimize the detail to be entered on the sheet, an invoice is prepared for the sale of accessories and tyres even where it is a cash transaction, and the invoice recorded in total in the first three columns of the sheet only.

The storekeeper responsible for the stock of the station, or the manager where the latter carries out the functions of storekeeper, examines the stock in the showcase before the commencement of the following day's transactions, and prepares a stores requisition for all items deficient from the fixed holding. One copy of this document is used for replenishment and for entry on the stores records, whilst the original is passed to the area cashier for checking against the daily sales. After verification of the cash takings the area cashier analyses the sales in the columns provided so that the totals may be recorded in the sales journal. At larger stations where a permanent storekeeper and a stores are justified, the storekeeper will issue for sale those items which are not in normal demand and those which are too bulky to be kept in the showcase. The resulting sales are recorded as explained above and the storekeeper will list all such sales on a stores requisition, the original of which will be passed to the area cashier. Meanwhile, credit sales of these commodities will be recorded on 'credit sale dockets' and the

area cashier will be in possession of stores requisitions covering all items issued from stock for sale. He will therefore be able to assess the cash sales from documents in his possession.

Casual Garaging

The garaging of customer's vehicles may be on a contract basis for periods of a week or more, or on a casual basis by the hour or day. The former method – which in consideration of payment in advance offers the customer some considerable reduction as compared with casual rates – is outside the scope of daily sales because contracts are arranged principally by senior staff and invoicing is done by the area cashier's office. It will accordingly be dealt with later in this article.

Wherever garage space is available, a certain amount of casual garaging may be expected, and for this purpose a 'garage ticket', perforated and serially numbered on both portions, is employed. When a vehicle comes in for casual garaging the time and date of issue of the ticket are clocked in the appropriate space provided to indicate the size or horse-power of the vehicle according to the local tariff. One portion bearing the conditions under which vehicles are accepted for garaging is given to the customer, whilst the other portion is attached to the vehicle. The amount payable by the customer is assessed when he collects the vehicle and is entered on the daily cash sales sheet already described and in the column provided for this purpose. Meanwhile the ticket is clocked with the time and date of departure.

The area cashier's control of the casual garaging takes the form of a register in which all casual tickets are entered in numerical order under the date on which they are issued. As each ticket appears on the daily cash sales sheet, it is marked off in the register with the date of payment and the amount received. A census of all cars in garage, by registration number and casual ticket number, is carried out every night by the senior man on duty and provides a means of checking all casual garaging tickets which are outstanding in the register. There is some variation of this system in stations where casual garaging is considerable and where a register is employed to record cash received and to print the official receipt on the customer's portion of the ticket. Here the garage ticket register is dispensed with but a daily reconciliation is effected between tickets issued and transactions recorded, allowing for vehicles remaining in garage over night, those transferred to workshop, and bona fide cancellations.

Greasing, Washing and Repairs

Every greasing and washing 'job' is recorded on a 'valeting service (V.S.) card' which is printed in duplicate, the original being the customer's invoice and the copy forming the permanent record. Similarly, every workshop job becomes the subject of an individual 'repair order (R.O.)' of which there are three copies – the customer's invoice, the cost record, and the progress card. Details of the costing procedure will be dealt with later, but whilst on the subject of daily cash sales, it will suffice to show how payments in respect of these activities are recorded. After the completion of a valeting service or a repair the vehicle concerned is moved to a delivery bay and the customer's invoice placed on the vehicle awaiting collection by the owner. All charges are payable on delivery to the customer and a receipt is given on one of the dockets used for credit sales. Details of the sale are recorded in the first three columns of the 'daily sales sheet'. Meanwhile, the duplicate of every valeting card and the cost record copy of every repair order which have been completed, have been passed to the area cashier who is thereby in a position to check all amounts paid, and to complete the analysis columns of the daily sales sheet in preparation for entry in the sales journal. With the exception of sundry sales, which comprise charges for telephone calls, cloakroom fees, and similar miscellaneous items, this completes the scope of the daily sales and the initial verification thereof by the area cashier.

Permanent Garaging

We now turn to the sales dealt with by senior staff or by the area cashier's office, and in this sphere contract garaging takes a prominent place. As already indicated, this form of garaging offers some considerable saving to the permanent customer as compared with casual rates, but in order to obtain this advantage the customer must sign a contract and pay in advance. Contract garaging is available for periods of a week or more but is usually applied to monthly or quarterly customers, in which cases the garaging period is always arranged to expire on the last day of a calendar month. This is achieved by dealing with the initial period on a proportionate basis. Thereafter, *pro forma* invoices for further periods – all dating from the first of the month – are issued automatically on or about the twenty

fifth day of the month prior to the garaging period. Where the customer has a credit account the invoices are entered forthwith through the sales journal, thereby maintaining the principle of payment in advance; but where the customer has no account the entry is made only on receipt of payment. It therefore follows that the volume of garage sales appearing in the sales journal each week does not represent the actual space sold during that period, being extremely heavy during the first week of the month but of far less volume in the later weeks.

For accounting purposes and for comparison with other trading purposes, a 'spread-over card' is prepared relative to each contract and bears a record of all amounts paid or invoiced. In a section specially designed for this purpose, these amounts are applied to the actual weeks to which they refer, making it possible to extract at any given date the total payments received in advance and the actual value of garage space sold in any one week.

A permanent record of cars in garage is maintained in a garage book in which appears the registration number of any car under contract. This book is compiled progressively from the nightly census already mentioned in connexion with casual garaging and provides documentary evidence when dealing with claims for absence during contract periods. It also provides verification in cases where contract customers have failed to renew their contracts and have left the garage without giving notice. Every vehicle appearing on the nightly census must be accounted for in the garage book or must bear a casual garaging ticket.

Workshop Operations

It has already been noted that a repair order or valeting service card is prepared for every vehicle which comes in for repair or valeting and these cards are made out by the receptionist. As far as valeting is concerned, both copies of the card are passed to the foreman in charge of greasing and washing who arranges the sequence of work for his operatives and issues stores requisitions for the oils and grease necessary for each job. The operative clocks on and off the job but the time spent on a vehicle does not influence the costing because valeting services are carried out for fixed labour charges and the only addition thereto is the price of oils and grease used. On completion of the job, both copies of the valeting service card are priced and the customer's invoice copy is placed on the vehicle whilst the permanent record copy is passed to the area cashier.

As soon as a repair order has been prepared the cost record and customer's invoice copies are passed to the cost clerk who retains possession of them until the work has been completed. Meanwhile the progress card goes to the works manager who adds to it his detailed instructions for the mechanic's guidance and thereafter allocates his operatives to the various jobs according to the availability and ability of the mechanics and the priority of the job. When a mechanic is allocated to a job he is given the progress card and he then goes direct to the timekeeper under whose supervision he 'clocks on' on the reverse of the cost record of the particular job, and on his own daily time sheet on which is inserted the repair order number on which he is working. So long as he continues to work on that job he clocks off and on for meal and other breaks and at the end or commencement of his day's work, making identical clockings on his own daily time sheet. This double clocking ensures that all time for which the mechanic is paid is recorded on a cost record. It should here be noted that if a mechanic is allocated to a non-productive job or is put on 'idle time', a cost record is prepared for such non-productive job or for idle time so that a complete analysis is available of all man-hours purchased. Cost records are also prepared, as necessary, for paid holidays and sickness, attendance at training schools, maintenance of company equipment, cleaning workshop, supervising duties and policy repairs; the value of this record will be appreciated when we deal with internal accounting.

When the mechanic is able to ascertain the materials required for the job on which he is working – which will vary according to the job and the amount of dismantling which has to be done – he enters the details on the progress card and passes it to the cost clerk who orders the materials from the appropriate distributor or supplier, and records the particulars of his order on the cost record. On receipt of the material, the cost clerk passes the supplier's invoice, records the delivery on the reverse of his purchase order, and inserts the cost and retail prices thereof on the cost record so that all materials invoiced are accounted for.

On completion of a job, the mechanic clocks off the cost record and returns the progress card, bearing details of the operations carried out and a note of any additional work which needs to be done, to the works manager who then instructs the cost clerk to price the job. This is

done by pricing all labour involved at cost and adding the predetermined oncost percentage in order to arrive at the retail price; and adding the retail price of materials used. The total retail price, together with details of the work carried out, are then transcribed to the customer's invoice which is passed to the receptionist who will deliver the vehicle to the customer. At the end of the day all completed repair orders are entered in the 'workshop turnover register' which is ruled to show the cost and retail prices of labour and materials separately, under headings applicable to the accounting system and the requirements of the census of production or the census of distribution, whichever applies to the business. These completed repair orders then pass to the area cashier who checks them against the cash sales or enters them through the sales journal if they are chargeable to account customers.

The area cashier also maintains a 'job card register' in which every repair order is entered in numerical order and marked off with the reference of the cash sales or sales journal folio, and is able to ascertain therefrom that every repair order which is not still in progress has been included in his sales.

There are, of course, a certain number of jobs carried out on the company's own vehicles or plant and equipment, and such jobs are carried out at cost. These repairs are omitted from the workshop turnover register but are marked off in the job card register and entered through the area cashier's 'stock transfer journal', thereby crediting the amounts involved to the cost accounts. Non-chargeable, non-productive allocations are also omitted from the turnover register and remain a charge against the workshop.

Tyre Sales

Normally the sale of tyres involves the fitting of them and such sales are invariably recorded on repair orders, but it has been found that it is essential to maintain a complete record of tyre transactions so as to ensure accuracy of the trading accounts. Every storekeeper therefore keeps a tyre book which shows every sale in detail by size and make of tyre and tube and the origin of the goods (whether ex-stock or the subject of a special order) together with the cost and retail prices. This tyre book is available to the area cashier for the verification of sales and an exact copy of it, under the heading of 'tyre sales control extract', is forwarded to headquarters in respect of each accounting period.

Car Hire Sales

The records necessary for sales of car hire will depend on whether the organization acts merely as an agent for another business specializing in this service or whether it operates one or more vehicles of its own.

In the former case it will function as a booking office working on a commission basis. Even so the arrangements between the parties may vary. The agent may introduce the business leaving the specialists to collect the charge from the customer and remit an introductory commission to the agent. Or the agent may order the vehicles required for the hire in his own name, accepting the specialist's charges at an agreed trade rate and make his own arrangements for the collection of retail charges from the customer. In the latter case the agent assumes the responsibility for bad debts arising from the bookings and, therefore, normally obtains a larger trade discount. In either case the transactions could be covered by a record of bookings and the preparation of a sales invoice if necessary under the above arrangements.

Where the retail organization operates one or more vehicles on its own account, either on a self-drive or chauffeur-driven basis, a clerk is allocated or a department set up for this function. Bookings are recorded in diary form and are transcribed to a monthly or weekly graph showing the engagements of each vehicle during the period concerned. In the case of chauffeur-driven hire, arrangements will also be made for the chauffeur to be available within his normal tour of duty and the charges will depend either on the mileage covered or on the number of hours during which the vehicle is employed. A special form is therefore provided for each hire, making provision for recording the time and speedometer reading at the commencement and conclusion of each hire, and it will be necessary for the chauffeur to calculate and collect the charges on completion of the journey. As far as self-drive hire is concerned, a form of agreement must be completed and a deposit to cover damage to the vehicle, paid by the customer in addition to the hire charges before the hire commences. Speedometer readings are also recorded and on the return of the vehicle the customer's deposit is returnable providing the hire has been in accordance with the agreement and that the car has suffered no damage. Invoices will be prepared covering all sales and the speedometer readings will constitute a complete record of the vehicle's activities.

(To be concluded.)

WEEKLY NOTES

The Price of Service

The decision to increase the price of *The Accountant* to 1*s* 6*d* per copy, announced elsewhere in this issue, has been taken with the greatest reluctance.

Due to rising costs in the printing industry – exemplified by the recent awards of increases in wages to both skilled and unskilled craftsmen, and by the cost of our paper which has gone up by over 100 per cent during the past year – it is no less a disappointment to us than to our readers that such a course should become essential.

Our readers, we feel sure, will not think it necessary for us to emphasize that our policy is – as it always has been – to serve them and the profession to the maximum extent.

The Society

Mr Charles Percival Barrowcliff, F.S.A.A., of Middlesbrough, was elected President of the Society of Incorporated Accountants and Auditors, and Mr Bertram Nelson, F.S.A.A., of Liverpool, was elected Vice-President, at a meeting of the Council of the Society last Wednesday.

Mr Barrowcliff is senior partner in the firm of Messrs C. Percy Barrowcliff & Co, Incorporated Accountants, of Middlesbrough, Newcastle and Leeds, and has been in public practice for over thirty-five years. From 1937 to 1939 he was President of the Incorporated Accountants' Newcastle upon Tyne District Society. Not only did Mr Barrowcliff obtain Honours but he was awarded the Society's Gold Medal for taking first place in the Final examination held in 1908. In 1920 he was elected to Fellowship, becoming a member of the Council of the Society in 1936 and being elected Vice-President thirteen years later, in 1949.

Mr Barrowcliff is a distinguished cricketer; he played for Durham County and was captain of Stockton Cricket Club for twenty-five years. A native of Stockton, Mr Barrowcliff was some years ago invited to stand as Conservative candidate for that constituency but for professional reasons he was unable to accept.

Mr Bertram Nelson, a well-known member of the profession with many interests, is chairman of the Liverpool Chamber of Commerce and chairman of the Company Law Committee of the Association of British Chambers of Commerce. In 1929 he obtained Honours in the Final examination, being elected to Fellowship four years later. In 1937 he was elected a member of the Council, and since 1942 he has been chairman of the Incorporated Accountants' Research Committee. He was honorary secretary of the Incorporated Accountants' Liverpool and District Society for fourteen years, becoming its President in 1945.

Mr Nelson is a nephew of the late Mr Charles Hewetson Nelson who was President of the Society from 1913 to 1916.

The sixty-sixth annual general meeting of the Society was held last Wednesday, as this issue was going to press. We hope to publish the President's address, together with a report of the proceedings at the meeting, in our next issue.

This meeting was followed by the fifty-eighth annual general meeting of the Incorporated Accountants' Benevolent Association. Here again we hope to publish the President's address and a report of the proceedings in next week's issue.

Incorporated Accountants' Hall

In July 1944, Incorporated Accountants' Hall (built in 1895, as the home of the first Lord Astor) was severely damaged by enemy action, and it was not until 1949 that the work of restoration of the main structure of the Hall began, in accordance with the plans prepared by Sir Percy Thomas, a past president of the Royal Institute of British Architects. The work was recently completed at a cost of £96,000. Meanwhile, despite conditions which were often cramped and uncomfortable, the administrative work of the Society has been carried on from temporary offices.

Last Tuesday, some twenty-two years after the formal opening of the Hall, a reception was held by the President and Council of the Society to mark the reopening of this magnificent building which retains the fine characteristics of the original. The guests, who included the Lord Mayor, the Lord Chancellor and distinguished representatives of the profession and the trade, industry and commerce of the country, were received by the President, Mr A. Stuart Allen, F.S.A.A., and the Vice-President, Mr C. P. Barrowcliff, F.S.A.A.

Wrought Non-ferrous Metals Report

Another productivity report has just been issued, that of the non-ferrous metals industry team which visited the United States during June and July last year under the auspices of the Anglo-American Council on Productivity. It underlines, as have so many of its predecessors, the cost-consciousness of American executives. This attribute is a necessity because competition is keen and the level of selling prices is to a great extent dictated by the large, and presumably most efficient, manufacturers. Management demands of its cost department regular information as to the lowest costs of which, with its existing capacity, the company should be capable of achieving. Comparisons with these are made with selling prices and unprofitable lines are eliminated. Details of stock valuations are constantly sought as well as the measure of variation of actual performance from a standard. This information is used to develop and control processes on an economic basis, to attain greater productivity and to control expenditure on oncost and overheads. It is significant of the faith of the industry in the efficacy of these techniques that in some of the larger concerns the most extensive – and

expensive – costing systems were installed during trade depressions.

All but one of the plants visited by the team had adopted the basic method of standard costing with budgetary control. The one exception was admittedly the largest single producer but the system it employed did not differ greatly in essence from the others. Many useful observations on the industry's costing and management methods are contained in the report, copies of which may be had (price 4*s* 6*d* post free) from the British Non-Ferrous Metals Federation, 132 Hagley Road, Birmingham, and the Anglo-American Council on Productivity, 21 Tothill Street, London, SW1.

Materials Handling

The full report of the materials handling team which the Anglo-American Council on Productivity sent to the United States on a tour of investigation was the subject of a leading article in our issue of May 27th, 1950. The Council has now produced for wider distribution an attractively prepared summary, suitably illustrated, of the original report. It costs 6*d* (with reduced terms for bulk orders) and is obtainable from the Council's offices. This bright little publication deserves a large circulation if for no more than publicizing the stark fact that in the average factory 5*s* of every £1 paid out goes to the cost of handling things and moving them around without adding one farthing to their value.

Output in March

According to the industrial production index of the London and Cambridge Economic Service, output during March continued to expand compared with this time last year. When the indices are converted on to a working-day basis, March this year was running at 3 to 3½ per cent above March in 1950. It may be recalled that according to the same index February was 5½ to 5¾ per cent above February last year.

So far, therefore, as it is permissible to look at one month as indicative of experience of 1951, the rate of expansion of industrial production is about in line with the official hopes of an average for this year of 4 per cent. Time will tell whether the very slight falter in the rate of expansion in March was largely fortuitous or whether it means something in terms of a shortage of raw materials.

New Wholesale Price Index

The Board of Trade announces that it proposes in the near future to issue a new series of wholesale price indices which will take the place of the existing series. The new figures will be much more a specific group of price indices related to the prices of the principal commodities and raw materials used in industry than are the present ones. The series in use now is more a group of general indices and is intended to give an overall picture of the general trend of prices.

It would appear however that it hardly performs this function with any degree of accuracy. From information now available from the 1948 census of production figures and from what is now known about the weighting of wholesale prices in accordance with their use in industry, the existing series is rather misleading. For example, the index is based on weights worked out for conditions in the 1930s, and in consequence it unduly reflects the recent large increases in the prices of paper and paper materials implying that wholesale prices in general have risen much more than has in fact been the case.

World Bank Sterling Issue

This week has seen the offer for sale of £5 million of World Bank stock by a group of six merchant banking houses in the City. This is the bank's first appearance in the London capital market for funds. Since the stock has the joint and several backing of the countries which are members, its standing should be the highest, ranking as indeed it does with United States and British Government securities. Nevertheless it is not a trustee stock and it comes on to the market at several shillings better as regards yield than any comparably dated British Government security. This appears all the more anomalous since the bank does not need any official overt backing at the moment since it is operating at a profit. There are incidentally other attractions to it. It is free of United Kingdom stamp duty on transfer and will have interest paid without deduction of United Kingdom income-tax. It may be that the slight discount compared with gilt-edged securities is due to the precedent set in the United States where bank stock is at slightly disadvantageous terms in the market compared with United States bonds.

But it will not be surprising if the new stock goes to premium over its issue price between this issue's going to press and being seen by the reader.

Dock Strikes Inquiry Report

The committee of inquiry into unofficial dock strikes has now submitted its report, which was published last week-end (Stationery Office, 1*s* 3*d*).

The following is a brief summary of the committee's recommendations. It considers that a better atmosphere could be achieved at the docks if more men were permanently employed by specific employers. This might be a goal to set beyond the present dock scheme which was conceived to remove the more blatant evils of casual labour. The present system by which the Dock Labour Board takes disciplinary action is condemned as being impersonal and putting union officials in an anomalous position as defenders of the men and judges at the same time. The committee urges that disciplinary action should be transferred to joint comittees appointed by the Port of London Local Joint Committee as a standing piece of negotiating machinery.

The T.U.C. is urged to bring the two dockers' unions closer together and so reduce friction among organized labour's representatives. Recommendations on what should be done about amenities and welfare are set out in some detail.

FINANCE AND COMMERCE

Anxiety over the Persian situation has brought easier stock-market conditions. Selling pressure, however, remains small. Dearer money prospects are weakening gilt-edged values.

'Profit' becomes 'Surplus'

'Profit' has become 'Surplus' in the 1950 accounts of the Cunard Steam-Ship Co Ltd. The change in the narrative, says Mr F. A. Bates, the chairman, expresses the present uncertainties in the replacement position. The position, as Mr Bates sees it, is almost frightening.

Cunard, which in the pre-war days took the courageous step of building the two 'Queens' that changed the programme for the Atlantic crossing, carries its fleet in the consolidated balance sheet at £28,723,512. The depreciation provided on ships and properties is £2,512,776, an increase of not quite £70,000. Mr Bates put the current replacement cost of the fleet at about £120,000,000 – and the useful life of a ship, unless special circumstances prolong it, is generally taken to be twenty to twenty-five years. From these two factors, he says – replacement cost and a ship's life – are compounded the real cost to the company of renewing the rusted plates and used-up equipment applicable to a year's trading.

It is clear, Mr Bates continues, that devaluation has introduced a new factor which greatly affects the replacement future. Pre-devaluation money expresses one part of the accounts and post-devaluation money another. Additional reserves, he points out, are being made to supplement the depreciation, but the tax computation has not been revised to meet the new replacement factors.

One Bite

The balance sheet of The British Oxygen Co Ltd as at December 31st, 1950, shows the full effect of the new issue of ordinary capital even though the shares did not become fully paid until after the date of the balance sheet.

The issue was of 693,820 £1 ordinary shares at a price of £3 10*s* per share to ordinary stockholders registered on October 25th. The price was payable as to £1 15*s* (being 10*s* capital and £1 5*s* premium) on or before December 8th, and as to £1 15*s* (10*s* capital and £1 5*s* premium) on or before January 26th.

At the date of the balance sheet, cash had come in to the extent of £1,349,583, the amount being shown as included in the cash balance of £2,685,266. Above the cash item is 'Balance of proceeds of new issue, since received, £1,078,787'.

The nominal amount of the shares issued has, of course, been brought into the new capital total and the premium on the shares makes a new item of 'Share premium £1,734,550'. When an issue such as this straddles the accounting date, it is just as well to give its full effect on the financial position as has been done in this case.

Great Industry

In these days of industrial discord, strikes, absenteeism, etc., there is something stirring in the tribute given by Mr A. C. Griffith, chairman of Griffith & Diggens Ltd, to the company's employees. Their response to the country's greatest need of increased production, he says, calls for the utmost appreciation. Week after week throughout the year they worked long hours and 'without their unflagging efforts which, I might say, entailed the loss of many hours of week-end leisure, our production could not have kept pace with the inflow of orders'. Production efficiency, judged on the basis of production per worker employed, was at a higher level than ever before.

Mr Griffith should use some of the blank space in the report to describe what the company produces but there is a clue to its activities in his reference to its 'reputation for quality waxed paper'.

These accounts provide a useful position at a glance with summaries of net assets and of profits. The first sums up the balance sheet to show how net current assets plus fixed assets are represented by the two classes of capital, reserves and surplus. The second shows how profit went in taxation, was retained in the business and paid in dividends. The profit summary could be improved by adding percentage earned and paid in ordinary dividend.

The Other Side

Presumably this activity in the waxed paper industry is reflected in the address of Mr Ivor R. Rees, the chairman of Avana Associated Bakeries Ltd. He refers to the short supply of wrapping materials aggravated by the introduction of bread wrapping. An increase of 81 per cent on the year in the cost of wrapping materials is shown in a pictorial analysis of where the profit went. Motor expenses, carriage and rates each rose 50 per cent. Light, heat, fuel and power was 31 per cent up, wages 21 per cent and materials 2 per cent. To these increases coupled with reduced turnover, due to decreased consumer spending power, Mr Rees attributes the lower net profit.

I.C.I. Accounts

The 1950 accounts of Imperial Chemical Industries Ltd have now been received and we plan to devote 'Finance and Commerce' next week to a reprint of the accounts with particular reference to the revaluation of the group's manufacturing assets.

Money Market

Treasury bill applications totalled £350,920,000 on May 18th and 63 per cent of requirements was obtained, the average rate being 10*s* 2·80*d* per cent. This week's offer is £250,000,000 and the Treasury deposit receipt call £25,000,000.

THE CUNARD STEAM-SHIP COMPANY LIMITED AND SUBSIDIARY COMPANIES

By the Companies (Shipping Companies Exemption) Order, 1948, the Company is exempt from disclosing certain information relating to reserves and provisions and changes therein and certain details of fixed assets and the depreciation thereof, and these accounts have been prepared accordingly.

Consolidated Profit and Loss Account for the year ended December 31st, 1950

1949 £			1950 £
2,445,203	Depreciation of Ships, Properties, Plant, Machinery and Office Furniture		2,512,776
29,535	Interest on Loans secured on Freehold Property (gross)		25,402
5,466	Interest on Loans from Bankers (gross) ..		—
121,211	Dominion and Foreign Taxes		71,653
	United Kingdom Taxes on Current Year's Surplus:		
2,164,344	Income Tax	£3,753,792	
717,250	Profits Tax	1,164,446	
			4,918,238
3,501,642	Balance: Surplus for the year carried down..		3,477,619
£8,984,651			£11,005,688

1949 £		1950 £
8,894,708	Operating Surplus, Interest, and Miscellaneous earnings, after providing for Deferred Repairs and Maintenance of Fleet	10,780,750
20,202	Dividends from Trade Investments (gross) ..	23,538
69,741	Dividends and Interest from Government and other Investments (gross)	201,400
£8,984,651		£11,005,688

1949 £			1950 £
1,128	Proportion of Surplus for the year attributable to Minority Shareholders		1,519
350,000	Provision for Grants to Pension and cognate Funds		350,000
1,406,215	Retained by Subsidiary Companies		1,244,862
1,000,000	Transfer to Reserves of The Cunard Steam-Ship Co Ltd		1,250,000
74,251	Dividends on the Preference Stocks (net)	£74,251	
107,224	Dividend on the Ordinary Stock Interim 2½% (net)	107,224	
321,682	Proposed Final Dividend on the Ordinary Stock 10% (net) ..	409,414	
			590,889
1,200,487	Balance carried forward to next account ..		1,240,836
£4,460,987			£4,678,106

1949 £		1950 £
959,345	Balance: Brought forward from last account	1,200,487
3,501,642	Balance: Surplus for the Year brought down	3,477,619
£4,460,987		£4,678,106

Consolidated Balance Sheet, December 31st, 1950

1949 £			1950 £
10,298,366	**Issued Capital** of The Cunard Steam-Ship Co Ltd		10,298,366
	Reserves:		
1,566,000	Capital Reserve: Share Premium Account ..		1,566,000
23,923,481	Capital, Ship Replacement, General, and Contingencies Reserves		25,907,600
35,787,847			37,771,966
	Mortgage Debenture Stock:		
797,493	Secured on Cunard House, 88 Leadenhall Street, London, EC		611,086
	Deposits with the Companies:		
220,908	Superannuation and other Funds		214,505
	Current Liabilities, Reserves and Provisions:		
22,368,501	Creditors. Open Voyage Accounts, Reserves, and Provisions for Deferred Repairs, Maintenance of Fleet and Taxation ..	£23,429,288	
37,125	Dividends on the Preference Stocks paid January 1st, 1951 (net)	37,125	
321,682	Proposed Final Dividend on the Ordinary Stock 10% (net) ..	409,414	
22,727,308			23,875,827
7,077	**Capital, Reserves and Undistributed Surplus Attributable to Minority Shareholders**		8,516
	Profit and Loss Account:		
1,200,487	The Cunard Steam-Ship Co Ltd		1,240,836
£60,741,120			£63,722,736

1949 £		£	1950 £
	Fixed Assets:		
28,910,275	Ships at cost *less* depreciation, and payments on account of New Tonnage	28,723,512	
2,749,207	Freehold and Leasehold Properties at cost *less* amounts written-off	2,739,640	
134,366	Plant, Machinery and Office Furniture at cost *less* depreciation ..	139,741	
31,793,848			31,602,893
	Trade Investments:		
242,407	At cost *less* amounts written off		205,550
	Current Assets:		
720,691	Ships' Stores, Provisions, Fuel Oil, Wines, Linen, etc.	670,302	
3,292,305	Debtors, Agents Balances and Open Voyage Accounts ..	3,947,079	
3,754,464	Investments: quoted .. .. (Market Value £11,495,847)	11,227,325	
3,456,000	Tax Reserve Certificates	5,407,000	
17,481,405	Cash at Bankers and in hand ..	10,662,587	
28,704,865			31,914,293
£60,741,120			£63,722,736

NOTES

(1) Liabilities outstanding at December 31st, 1950, on contracts for new ships for Subsidiary Companies amounted to approximately £3,200,000.

(2) Fixed Assets expressed in United States, Canadian and Foreign Currencies have been converted at the rates of exchange ruling at the dates of acquisition. Other Assets and Liabilities have been converted at the rates of exchange ruling at December 31st, 1950.

F. A. BATES,
WILLIAM DONALD,
FRANK CHARLTON, *Directors.*

H. EAVES, *Secretary.*

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Directors' Remuneration: Notice of Annual Meeting

SIR, – I suggest the answer to 'Castle's' letter in your issue of May 12th is that very few public companies ever adopt Table A as their articles and that 'common form' special articles have long included a clause detailing directors' remuneration which is not normally subject to annual review. When it does become necessary to vary directors' remuneration, an alteration of the article concerned is involved, which requires the usual special resolution.

It is to be remembered that the above includes only directors' remuneration as such. Salaries of full-time directors, expenses necessarily incurred in carrying out duties, etc., are domestic matters within the competence of the board itself, always provided that disclosure is made in the accounts in compliance with the Companies Act, 1948.

Yours faithfully,

London, WC2. R. C. HETHERINGTON.

Profits Tax Abatement

SIR, – I should be interested to know whether any of your readers have had any experience of a case similar to the following.

I deal with a company which made an adjusted profit for the chargeable accounting period December 31st, 1949, of under £12,000 before abatement, but which had losses available in excess of the adjusted profit before abatement.

I inquired of the Inspector whether he would allow abatement of the profits for the chargeable accounting period 1949 in arriving at the losses available to carry forward to the next chargeable accounting period. He replied that it was not considered that the carry-forward of losses can be increased by abatement but omitted to quote any Act in support of his contention.

I should be glad to hear if any of your readers have successfully taken up this point with the Revenue.

Yours faithfully,

BUILDER.

'Profits, Accountants and Economists'

SIR, – Mr Bradbury B. Parkinson's address 'Profits, accountants and economists' in your issue of April 28th, 1951, no doubt suffers from the need for compression, yet I believe there is a level of intelligence shared by scientists, engineers, economists and accountants, to name a few, such that a scientist can make himself understood by an engineer, and an economist should be able to put his ideas over to an accountant. Mr Parkinson is an economist, and because he fails to make himself intelligible to me, an accountant, I begin to wonder if he has anything useful to tell me.

There is an economic conception of profit which is definite and unambiguous as defined by Keynes in his *General Theory of Employment, Interest, and Money* (Chapter 6), which is in line with the orthodox accounting method of calculating profit, and can be adjusted to take care of a change in the value of money and still be unambiguous.

I have tried to follow Mr Parkinson's article and the best I can make of it is that he would have me believe that this is not true profit and that we can arrive at real income only by making profit depend on the discounted value of future earning capacity, but agrees that so defined it is indefinite and ambiguous.

Since in any period the income paid out by industrialists and the price they receive for their product are definite, any variation in profit can be brought about only by varying the value we put on the wastage of past wealth during the period. This, to accountants, is depreciation; it is a decision to save and is represented by new equipment which, being no more than equal to the wastage of old equipment, is correctly treated as a charge against profits.

Mr Parkinson would bring in another item of a similar nature thrown up by the valuation he places on business assets. This, too, would be a decision to save (or dis-save) but where this complication would lead us is, I should imagine, anybody's guess. His object is the achievement of social aims, but I feel that he would succeed (or fail) only to the extent that we all become puppets of the back-room boys at the Treasury. I prefer that our balance sheets should remain orthodox as befits the Keynesian system, and leave social aims to work themselves out as the character of the people decides.

That is the way that suits me, but perhaps I have got it all wrong in which case will Mr Parkinson be good enough to have another go in a language understanded of accountants.

Yours faithfully,

King's Norton, Birmingham. H. A. BRISCOE.

[Mr Bradbury B. Parkinson writes: Condensation of a long address must necessarily involve omission of much that will stimulate digestion. Since, however, the topic has now for some time been in the forefront, a little frugality seemed reasonable.

The economist's criticism of accounting practice basically amounts to a denial of anything approaching reality in profits measurement. In effect, however, the reality of profits is a fickle and indeterminate concept defying measurement, and this is the fundamental reply justifying the accountant's compromise. Most economists, however, are perfectly alive to the essentially immeasurable nature of real profits and content themselves with suggestions claimed to bring a closer approach to reality. For the profession,

two points are here involved: (1) how far do these suggestions indeed bring a closer approach to reality and (2) even supposing they do, how far are they still admissible into practice?

On the whole it would seem that many of the suggestions made bring no guaranteed approach to reality – in other words, they yet lack the vigour necessary to justify revision of usual practice. On the other hand the profession is not concerned exclusively with conceptual precision, and other factors to be considered necessitate some criterion for admitting suggestions apparently sound. This criterion must depend on current and perhaps imminent demands on the profession.

This at least is one accountant's reaction to the important problem of greater precision in profits measurement. Equity comparison is a suggested means of statistical measurement with probably as useful a result as that obtainable by other means and with much less accounting adjustment. But all this assumes some interest in social aims which your correspondent disclaims. Nor are references to 'puppets of the Treasury' carefully thought out or relevant.

The reference to Keynes, who indeed comes closer to accounting practice than many economists, shows clearly how your correspondent misses the whole point, not of the article, but of the economic concept of profit which is relevant to discussions on cost, depreciation, inventory valuation and monetary adjustment, and so to his orthodox Keynesian balance sheet. In any case a repudiation of the emphasis on economic 'net income' is the main thesis of the article. Reference moreover to a variation of profit only brought about by depreciation convinces me that your correspondent has never considered the real nature of profit, which I assumed was not common to accountants.]

Company's Accident Policy

SIR, – With reference to the letters from 'Mandy' and Mr T. B. Lothian (February 17th, 1951) regarding the above, it is thought that a lump sum paid gratuitously to a director or key employee after retirement through total disablement would not be liable to tax in his hands (*Beynon v. Thorpe* ([1928] 7 A.T.C. 190; 14 T.C. 1); *Stedeford v. Beloe* ([1932] 11 A.T.C. 132; Ac. 388; 16 T.C. 505; 520 H.L.)), although, providing it were correctly paid, it would be a charge for income-tax purposes in the accounts of the company making the payment (*Smith v. Incorporated Council of Law Reporting for England and Wales* ([1914] 3 K.B. 674; 6 T.C. 477)). The same would apply to a lump-sum payment to the dependants of such a person after his death. If either of such payments were made by virtue of a contract existing between the company and the employee then it would be deemed to be payable in respect of the employment and taxable under Schedule E (*Henry v. Foster* ([1932] 11 A.T.C. 135; 16 T.C. 605; 637 H.L.); *Allen & Murray v. Trehearne* ([1938] 17 A.T.C. 366; 2 K.B. 464)). Death duties would probably also be incurred in the case of the payment to dependants.

Another angle to be considered is whether it is better (if the sum assured is in any case to go to the employee) to take out the insurance in the employee's name, the company acting as his agent. In such a case the premiums in respect of death benefit would, provided they conformed to the normal principles regarding allowance of premiums against personal incomes, be so allowable. The part of the premium relating to disablement would not be allowed, but any benefit, for either partial or complete disablement, would not be taxable. Any sum received on death, although not liable to income-tax, would be aggregated with the estate for death duties and at certain scales might lead to a higher rate of duty falling upon the whole estate, in addition to being itself dutiable.

If the company pays the premiums it must either collect them from the employee or, if he is a director or earns over £2,000 per annum, they must be added to his taxable income. The taxing of this sum would certainly outweigh any tax benefit gained from the allowance of the usual proportion of the premiums.

If the employees concerned are insured for large sums and are reasonably wealthy, it would seem wisest for the company to effect the transactions on its own account and to pay over, voluntarily, after death or total disablement, such lump sums as it desired.

Yours faithfully,

Leigh-on-Sea, Essex. L. G. COON, A.C.I.S.

Capital Allowances on Caravans

SIR, –We were interested to read Mr J. B. Cruse's letter in *The Accountant* of May 5th. We also have a client who for many years owned caravans which were let out for summer holiday accommodation. The caravans which, like those of Mr Cruse's client, were the normal wheel type were kept on a caravan site for which rent was paid.

We had no difficulty in obtaining both initial allowances and annual allowances on the caravans, and no such contention that the caravans were not plant and machinery within the meaning of the Income Tax Acts, 1918 and 1945, was made by the Inspector of Taxes.

During the last year our client has changed the nature of his business and instead of hiring out the carvans he now only sells them. They are now dealt with in the trading account as stock-in-trade.

Yours faithfully,

London, WC1. C. NEVILLE & CO.

Garage Accounts: Bonus System

SIR, – A small garage, with some twenty employees, is badly in need of a bonus system to encourage the workers to step up their output on car repairs etc. If any readers have knowledge of a suitable working arrangement of this kind some information on the subject would be most welcome.

Yours faithfully,

BLITZ.

CURRENT LAW

Sale of Hotel

In *General Publicity Services Ltd v. Best's Brewery Co Ltd* (*Solicitors' Journal*, April 14th, 1951) the plaintiffs, advertising contractors, entered into a contract with the manager of an hotel belonging to the defendant company by which they agreed to supply the hotel with 5,000 tariff booklets on the understanding that the hotel would circulate or display the booklets to the best advantage for a period of three years. The advertising contractors also had the option of reissuing on the same terms for a further three years. The defendants sold the hotel in April 1950, and ceased to perform the contract, whereupon the plaintiffs brought an action for breach.

Jones, J., held that the contract did not amount to an express agreement by the defendants to carry on their business for the period of three years. It was an implied term of the contract that if the defendants ceased to carry on the business the contract would automatically terminate.

Shipping: Demurrage and Dispatch

A charter-party provided that the vessel should pay dispatch money for all time saved for discharging at a third of the rate applicable to demurrage. In *United British Steamship Co Ltd v. Minister of Food* (*Solicitors' Journal*, April 14th, 1951) demurrage was incurred at Southampton, but dispatch money became payable in respect of time saved at London. The owners claimed demurrage for the delay at Southampton and offered dispatch money for the saving at London, but it was contended by the charterer that the time saved should be deducted from the extra time spent at Southampton and the demurrage rate charged on the difference.

Croom-Johnson, J., held that this was how the contract should be construed. There was one adventure, he said, and one enterprise. His reading of the charter-party was that the average rate was to be taken in respect of the totality of the cargo discharged. He accordingly found for the charterer.

TAXATION CASES

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in *The Annotated Tax Cases.*

Drummond v. Commissioners of Inland Revenue

In the Court of Session – March 28th, 1951

(Before THE LORD PRESIDENT (Lord COOPER), Lord CARMONT, Lord RUSSELL and Lord KEITH)

Income-tax – Farmer – Lease of fields for six months for grazing purposes only – Total annual value of fields more than £100 a year – Tacit relocation extending over many years – Landlord entering regularly for various purposes – Whether farming carried on by appellant assessable on profits basis – Income Tax Act, 1918, Schedule A, No. VII, Rules 1, 2; Schedule B, Rule 4 – Finance Act, 1941, Sections 10, 11 – Finance Act, 1942, Section 28.

The appellant was the proprietor and occupier of a farm, which had a gross annual value of £92 for the purposes of Schedule A. In addition, three fields were let to him under three leases made in 1934, 1940 and 1942. Each lease was for six months. Two of the leases provided that if they were not terminated at the end of six months, but were renewed by tacit relocation, the rent would be a stated amount for a given six months, and another amount for the other six months. The fields were to be used only for the grazing of cattle and sheep, and were not to be ploughed without the landlord's written consent. The appellant's tenancies of the fields had continued uninterrupted from the respective dates of entry. The total annual value of the fields was £176 a year.

The landlord's name appeared in the valuation roll as proprietor and tenant of the fields, and he paid rates both as occupier and proprietor. Until 1941–42, the landlord was assessed under Schedule B, and from 1942–43 onwards under Case VI of Schedule D in respect of that part of the total rent which was in excess of the annual value. The leases were devised for the express purpose of preventing the appellant from obtaining any rights under the Agricultural Holdings (Scotland) Act, 1923. The landlord entered the fields regularly to cut turf, to keep the thistles down and to maintain the roads. He also maintained the fences and drains in repair, and he kept a few hens and grazed a donkey in the fields. He did not ask the appellant's permission for doing any of these things. The appellant regularly put a top dressing of manure on the fields, but obtained the landlord's permission before doing so. During the war some of the fields were ploughed up in consequence of a notice to that effect served on the landlord, but the ploughing was done by the appellant by arrangement with the landlord. When the ploughing directions ceased, the fields were sown back into grass, with the verbal consent of the landlord. Down to 1947, all the fields were cropped in rotation, and nearly all the crops were fed to the appellant's cattle.

Down to 1941–42, the appellant was assessed under Schedule B in respect of his farm, and from 1942–43 onwards he was assessed under Case I of Schedule D in respect of the profits of the whole of his farming activities. On an appeal against the assessment under Case I of Schedule D for 1948–49, the appellant contended that the fields were not occupied by him; and that, therefore, their aggregate annual value

ought not to be added to the annual value of his farm; and that, accordingly, he was not liable to assessment under Case I of Schedule D.

The General Commissioners decided that the appellant occupied the fields as farm land in terms of Section 10 (2) of the Finance Act, 1941, and that he had been correctly assessed under Case I of Schedule D.

Held, that the General Commissioners' decision was correct.

Crole *v*. Lloyd

In the High Court of Justice (Chancery Division)

March 29th, 1950

(Before Mr Justice ROXBURGH)

Income-tax – Amusement caterer – Undisclosed cash – Purchase and sale of amusement equipment – Whether cash receipts of trade – Whether purchase and sale of equipment a part of the trade – Income Tax Act, 1918, *Schedule D, Case I.*

The appellant, an amusement caterer, had been in business for more than twenty years, and had been assessed on the basis of certified accounts. In September 1947 it was stated in the Press that he had been robbed of £9,000 in notes, which had been removed by burglars from a wardrobe in his house. The notes were not recovered.

Additional assessments were made on the appellant for 1941–42 to 1946–47, in the sum of £2,000 each year, in respect of his business as an amusement caterer, and alternative assessments for each of the same years, and in the same amount, were made in respect of 'dealing profits'. At the hearing of his appeal against these assessments, the appellant put in a statement showing £2,000 as having been held in cash since March 31st, 1939, and as representing the accumulation over many years of winnings at cards, savings out of business profits, and the proceeds of gambling transactions. The statement also showed other card winnings, £130 as having been derived from the sale of a ring, and further sums from resales of motor-cars.

It was contended for the appellant that the accounts which had been furnished annually correctly represented the profits of his business as an amusement caterer. The statement put in by the appellant also indicated the £9,000 as being the proceeds of the resale of amusement equipment, and the appellant contended that this equipment had been purchased for use in his business, and had been resold only because it was impossible for him to make use of it. Two items of equipment were actually used in the business for a short time before being resold.

The General Commissioners were not satisfied with the explanation as to the accumulated money, and they decided that the £9,000 arose from the purchase and sale of equipment, and represented trade receipts of the appellant. They held, however, that the sums derived from the sale of the motor-cars and of the ring were not trade receipts. They amended the amounts of the assessments accordingly, and confirmed the assessments.

Held, that the General Commissioners' decision was correct.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

REPORT OF THE COMMITTEE FOR 1950

The 1950 report of the committee of the London and District Society of Chartered Accountants, to be presented at the ninth annual general meeting of the Society on Thursday, June 21st, at 6 p.m. in the Oak Hall of the Institute, Moorgate Place, London, EC2, is as follows:

Committee

Mr E. F. G. Whinney, M.A., *Chairman*.
Mr G. D. F. Dillon, B.A., *Vice-Chairman*.
Messrs G. F. Ansell, H. A. Benson, C.B.E., P. R. Bradshaw, F. S. Bray, A. H. Cheney, D. A. Clarke, LL.B., J. Clayton, E. H. Davison, W. G. Densem, L. R. Elcombe, W. E. L. Fletcher, S. H. Gillett, M.C., A. N. Hollis, D.F.C., C. J. G. Hughes, LL.B., W. H. Lawson, C.B.E., B.A., J. H. Mann, M.B.E., M.A., R. P. Matthews, B.COM., D. T. H. Nicholson, M.B.E., H. Norris, A. P. Ravenhill, W. Robinson, G. L. C. Touche, B.A., Miss Ethel Watts, B.A., Mr E. K. Wright, M.A., and Mr J. W. G. Cocke, T.D., M.A., *Hon. Secretary*.

Report for the Year ended March 31st, 1951

Membership

The membership of the Society on March 31st, 1951, was 2,255 as against 2,197 last year, being a net increase of 58.

All Members of the Institute registered as residing, practising or in service in the area of the Society are entitled to be admitted to membership without payment, on application to the Secretary, and it is not intended to debar those outside the area who wish to join the Society.

Activities of the Committee

(*a*) *Addresses to the Society*. – During the year the following meetings have been held:

June 28th, 1950: Address by Mr G. O. May, F.C.A., C.P.A., on 'The work of the American Study Group on Income'.

October 17th, 1950: Address by Mr G. A. Rink on 'Some pitfalls in connexion with estate duty'.

Then there was a series of addresses followed by discussions, under the general title 'The use of published accounts' –

On November 8th, 1950, by Mr H. Nutcombe Hume, C.B.E., M.A., Chairman, The Charterhouse Investment Trust Ltd, from the point of view of an Investor;

On December 5th, 1950, by Mr L. C. Mather, an Assistant General Manager of the Midland Bank Ltd, from the point of view of a Creditor;

On January 16th, 1951, by Mr Roland Bird, Deputy Editor of *The Economist*, from the point of view of an Economist;

On February 13th, 1951, Mr W. H. Lawson, C.B.E., B.A., F.C.A., gave the views of an Accountant on the points raised in the other addresses.

Last year the series of addresses reviewed the presentation of the accounts of public companies following the introduction of the Companies Act, 1948. This year the addresses were arranged to obtain from representatives of those who make use of accounts an expression of opinion on the merits or defects of their presentation.

January 30th, 1951: Members of the Anglo-American Council on Productivity Team on 'Management accounting' attended a meeting to discuss their report.

March 13th, 1951: Following a luncheon, Mr A. Beverley Baxter, M.P., gave an address entitled 'A candid report on a recent visit to America'.

The Committee desires to express its appreciation and gratitude to the above gentlemen for their addresses.

An invitation to these meetings was extended to members of the Association of Scottish Chartered Accountants in London.

(b) *Elections to the Council.* – The Committee considered the names of the London members retiring from the Council, by rotation, at the 1951 annual general meeting, and who offered themselves for re-election, and decided not to submit any other nominations.

(c) *Dinner to the President.* – The Committee of the Society, together with London members of the Council, entertained the President and Vice-President of the Institute and the Presidents of the District Societies to an informal dinner on May 2nd, 1951.

Activities of Sub-Committees

(a) *Regional Taxation and Research Committee.* – The Regional Taxation and Research Committee met on four occasions during the year for the purpose of considering various matters referred to it by the main Taxation and Research Committee or raised by members, and memoranda on these subjects were forwarded to the main Committee.

(b) *Advice to Members and Articled Clerks.* – A number of applications for advice have been received from members and articled clerks who have been given opportunities of consulting members of the Committee.

Vacancies on the Committee

IN PRACTICE

Mr E. F. G. Whinney retires in conformity with Rule 7, and being eligible and willing to serve is deemed to be nominated for re-election. In addition there are two further vacancies since Messrs F. S. Bray and C. J. G. Hughes, who retire in conformity with Rule 7, do not seek re-election.

EMPLOYED IN THE SERVICE OF A PRACTISING ACCOUNTANT

Mr G. F. Ansell, who retires in conformity with Rule 7, does not seek re-election.

NOT IN EITHER OF THE FOREGOING CATEGORIES

The following members retire in conformity with Rule 7, and being eligible and willing to serve are deemed to be nominated for re-election:

Mr A. H. Cheney,
Mr A. P. Ravenhill.

Nominations may be submitted in any of the above three categories. Such nominations must be supported in each case by the signatures of seven members of the Society and must be lodged at the Institute not later than 5 p.m. on June 4th, 1951.

General

MEETINGS OF DISTRICT SOCIETIES AND THE COUNCIL

A meeting of representatives of District Societies and members of the Council, with the President of the Institute in the chair, was held at the Institute on October 10th, 1950, when an exchange of views took place on matters of general interest to members of the various Societies.

EXAMINATIONS SYLLABUS

At the request of the Examination Committee the Examinations Syllabus was reviewed and a report submitted to the Institute.

VOCATIONAL GUIDANCE

At the request of the General Purposes Committee four representatives have been appointed to give advice on careers and the profession of accountancy to schools and young persons in the County of Middlesex.

SUGGESTIONS BY MEMBERS

The Committee welcomes suggestions for consideration and discussion on any matters of interest to members.

For and on behalf of the Committee,

E. F. G. WHINNEY,
Chairman.

May 3rd, 1951.

NOTES AND NOTICES

ANNOUNCEMENT

It is with reluctance that, owing to the greatly increased cost of production - chiefly in respect of paper and wages in the printing industry - we must announce an increase in the price of *The Accountant*.

Commencing with the issue of July 7th, 1951 - the first number of the next volume - the price will be 1s 6d per copy, though subscribers will not be required to pay the increased price until the date of the renewal of their subscription.

The annual subscription rate, as from July 1st, 1951, will be £3 18s post free; for six months the rate will be £1 19s post free.

The concessional price for articled clerks will be 1s per copy, and the concessional subscription rate for articled clerks will be £2 12s post free for twelve months, application forms being obtainable from the publishers, Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

Conference on Taxation

AN INVITATION TO PRACTITIONERS

Distinguished speakers will give addresses on many phases of the law and practice of taxation at a conference on taxation to be held at Eastbourne on October 26th to 28th next. The addresses will be followed by discussions in which all members of the conference will be invited to take part.

Organized by *Taxation*, the conference will be open to all practitioners; no charge will be made other than for hotel accommodation (which can be booked by arrangement), and it is hoped that those attending will be accompanied by their ladies.

This preliminary announcement is being made now so that those who wish to attend may apply as soon as possible as numbers must be limited.

There will be a civic reception and dance at the Devonshire Park Winter Garden, and opportunities

for relaxation and entertainment will include a golf tournament for a silver bowl.

Communications should be addressed to the Editor, *Taxation*, 98 Park Street, London, W1.

Personal

MESSRS ANDREAE & RIDDLE, Chartered Accountants, Bay Street, Nassau, Bahamas, announce that Mr E. R. FINGLAND, A.C.A., has been admitted to partnership.

MESSRS ISAAC NEILD, SON & LEES, Chartered Accountants, of 47 Market Street, Manchester, 1, announce that they have taken into partnership Mr E. P. COSSLETT, A.C.A., and that the practice of COSSLETT & Co has now been merged with that of their firm and the two practices will, in future, be continued under the style of ISAAC NEILD, SON & LEES.

Obituary

FARRAR WOLFERSTAN THOMAS, O.B.E., F.C.A.

We have learned with regret of the death, at the age of 61, of Mr Farrar Wolferstan Thomas, O.B.E., F.C.A., resident partner in Guernsey, of Messrs Read, Son & Cocke, Chartered Accountants.

Mr Thomas was admitted an Associate of the Institute in 1912 and was elected a Fellow in 1949. He went to Guernsey in 1922 and was in practice there, apart from the war years, when he was in England, up to the time of his death.

Mr Thomas took an active part in Island affairs, and was a keen Freemason, being a Past Provincial Grand Registrar and a Past Master of Doyle's Lodge of Fellowship No. 84. He was Curator of the Masonic Museum, and a founder-member, a past-president and the secretary for many years of the Rotary Club of Guernsey. Mr Thomas was also a foundation member of the Guernsey Amateur Dramatic and Operatic Club, and he produced and acted in many plays, some of which won Eisteddfod trophies.

British and American Public Financial Reporting

CATERPILLAR TRACTOR COMPANY

In last week's issue we published a letter to the Editor from Mr W. Blackie, a vice-president of the Caterpillar Tractor Company, Illinois, U.S.A., with a footnote stating that Mr Blackie had kindly sent us a few copies of his company's 1950 annual report and that we should be pleased to send a copy of this report to any interested reader.

We have had a great many requests for this report; we regret that it is not possible to send a copy to all those who have written to us as our supply was exhausted by applications received in the first post after the day of publication.

In Parliament

POUND STERLING: VALUE

Mr J. MORRISON asked the Chancellor of the Exchequer if he will provide a table showing, in pence, the fall each month in the value of the pound sterling over the past eighteen months.

Mr J. EDWARDS: Using the interim index of retail prices as price index, the fall in the value of the pound sterling over the last eighteen months is shown in the table below:

June 1947 = 20s		*s*	*d*
1949,	October	17	10
	November	17	10
	December	17	9
1950,	January	17	9
	February	17	8
	March	17	7
	April	17	7
	May	17	6
	June	17	7
	July	17	7
	August	17	8
	September	17	7
	October	17	5
	November	17	4
	December	17	3
1951,	January	17	1
	February	16	11
	March	16	9

Hansard, May 11th, 1951. Written Answers, Col. 266.

Central Land Board

DEVELOPMENT CHARGE ON 'NEAR-RIPE' MINERALS

The Central Land Board announce that mineral undertakers should not for the present submit an application on Form D.1 for assessment of development charge for the winning and working, after June 30th, 1951, of minerals which they believe to be near ripe.

Near-ripe minerals are, broadly, those in which a person engaged in mineral working on July 1st, 1948, had an interest on that date, or was under binding contract to acquire an interest. No development charge is payable for any development of near-ripe minerals which takes place before June 30th, 1951, and the draft Regulations proposed under the Mineral Workings Bill, at present before Parliament, provide for charge incurred after that date to be set off against payments from the £300 million.

The Board propose to send a form (S.14) to those mineral undertakers whose minerals appear to be near-ripe in accordance with the draft regulations. The form will detail the near-ripe minerals and will include the Board's consent to their development during the period from July 1st, 1951, to the date of

the Board's determination of their development value.

These forms will be issued not later than June 1st, 1951, and a mineral undertaker who has not received form S.14 by that date and who will be working minerals on and after July 1st, 1951, should then apply for assessment of charge.

East Anglian Society of Chartered Accountants

Students' Tuition Course

Once again the students' residential tuition course arranged by the East Anglian Society of Chartered Accountants and held recently in Norwich was a pronounced success. The course was attended by thirty-one members of the East Anglian Chartered Accountants' Students' Association, and ten members of the Leicester and Northampton Chartered Accountant Students' Society. Ten members of the students' section of the Incorporated Accountants' District Society of East Anglia also attended by invitation. The end of the course coincided with the annual dinner of the East Anglian Society of Chartered Accountants, and on the Friday afternoon the course was addressed by Mr H. Garton Ash, O.B.E., M.C., F.C.A., President of the Institute, after which all the students attending took tea with the President and with Mr Alan S. MacIver, M.C., Secretary of the Institute. A 'brains trust' held on the following morning was attended by the President and Secretary of the Institute.

Election of Officers

At the recent annual meeting of the Society, the following officials were appointed for 1951:

President: Mr A. F. Kent, F.C.A.

Vice-President: Mr G. G. Youngs, F.C.A.

Hon. Secretary and Treasurer: Mr H. Robinson, F.C.A.

The address of the Hon. Secretary is now Bowmaker House, 10 Redwell Street, Norwich.

Buckinghamshire Statistics

Twenty pages of 'Statistics of the county and of the county council and the borough and district councils in the county' are in a booklet entitled *Buckinghamshire* which has just been published.

The contents include: Analysis of the County Precept, 1951–52; Rates in the £ actually levied:– (i) Boroughs and Urban Districts, (ii) Rural Districts; Analysis of rates in the £ levied by each Rating Authority; Grants under the Local Government Act, 1948; Summary of the Net Loan Debt at March 31st, 1951, and Housing Statistics.

The county treasurer is Mr W. F. Serby, A.C.A., County Offices, Aylesbury, Bucks.

South Eastern Society of Chartered Accountants

Morgan-Jones' Golf Competition

The Morgan-Jones' Golf Cup was played for by members of the South Eastern Society of Chartered Accountants on Saturday last, May 19th, at West Sussex Golf Club, Pullborough. The results were as follows:

F. A. Hogbin, 92 — 16 = 76; L. A. D. Giles, 91 — 13 = 78; F. C. H. Edwardson, 95 — 15 = 80; I. N. Dodd, 89 — 8 = 81; R. E. Goddard, 97 — 16 = 81; L. Scott, 105 — 24 = 81; J. C. J. Clark, 95 — 13 = 82; R. McNeil, 101 — 16 = 85; H. A. Kinney, 106 — 18 = 88; E. V. Quaife, 103 — 11 = 92; F. P. Barnitt and J. C. Bishop did not return cards.

Our Weekly Problem

No. 45: Alternative Routes

Mr L. U. Sidate was rather intrigued with Charles' alternative routes to Pies & Rupees Ltd. Without mentioning it to Charles he paced alternative routes to his bowling club.

One day he walked from the station a quarter of a mile due west along Breasy Common and then 220 yards up Easy Lane north to the club. On his return he continued up Easy Lane to the junction and then straight back to the station down Greasy Gate. To his surprise both routes were the same length.

What was the distance from the club to the junction?

The answer will be published next week.

Answer to No. 44: The Naughty Boys of Ourtoun

	Ourtoun		*Letemalona*	
Total delinquents ..		9,600		9,600
	Per cent		*Per cent*	
Age 12–13	20	1,920	8¾	840
Class II crimes ..	2½	48	2½	21
Age 23–24	8¾	840	20	1,920
Class II crimes ..	22½	189	22½	432

There are 48 boys of 12–13 in Ourtoun convicted of crimes against property, with violence.

OFFICIAL NOTICES

Rhodesian Iron and Steel Commission

VACANCY: INTERNAL AUDITOR

Applications are invited for appointment as INTERNAL AUDITOR to the Commission's Head Office, Que Que, Southern Rhodesia.

Applicants must be members of a recognized body of accountants, and must have had several years' professional auditing experience, preferably also experience in an industrial undertaking.

Commencing salary £960 per annum, rising to £1,110 per annum, plus cost-of-living allowance at present rate of £2 11*s* 4*d* per mensem, plus £5 8*s* 0*d* per mensem marriage allowance and children's allowances where applicable.

The successful applicant will be required to join the Commission's pension scheme and medical benefit society, and will be domiciled in Que Que, Southern Rhodesia, but will be required to undertake visits to other parts of the Colony in the course of his duties.

Fuller particulars of service will be sent to a short list of applicants.

Applications, in the first instance, should be addressed to the Secretary, P. O. Redcliff, Que Que, Southern Rhodesia, giving particulars as required above.

Monmouthshire Education Committee

The Technical College of Monmouthshire, Crumlin.

Principal: DR T. V. STARKEY, F.INST.P.

Required to commence duties in September next, a LECTURER IN ACCOUNTANCY.

Candidates must be professionally qualified in accountancy, preferably as Chartered Accountant. The possession of a degree in economics or secretarial qualifications and of lecturing experience are also desirable.

Salary in accordance with the 1951 Burnham Technical Scale, the precise grading has yet to be determined, but it is hoped that this will be announced at the interview.

Forms of application and further particulars can be obtained by sending a stamped addressed foolscap envelope to the undersigned, to whom forms should be returned as early as possible, but not later than fourteen days after the appearance of this advertisement.

C. E. GITTINS, M.A.,
Director of Education.

County Hall,
Newport, Mon.

British Electricity Authority

CHIEF ACCOUNTANT'S DEPARTMENT, HEADQUARTERS, LONDON

British Electricity Authority invite applications for the appointment of a PRINCIPAL ASSISTANT in the Chief Accountant's Department at their headquarters in London.

Candidates must have had practical experience of the purchase and sale of investments and possess a good general knowledge of accountancy. Candidates must be qualified to select securities for purchase as investments of a superannuation fund and to assess their suitability for continued retention. In the absence of the head of the section, the successful candidate must be prepared to accept considerable responsibility for tendering advice on investment matters generally.

The appointment will be within Grade 7 of the National Joint Council Permanent Salary Agreement, i.e. £705 rising by £20 per annum to £795 per annum plus appropriate London allowance.

Letters of application, stating age and giving details of experience should be submitted to D. Moffat, Director of Establishments, British Electricity House, Great Portland Street, London, W1, to arrive not later than June 8th, 1951.

Please quote reference AE.175.

Midlands Electricity Board

Chief Accountant's Department
Internal Audit Section

Applications are invited for the appointment of SENIOR AUDIT ASSISTANT on the Chief Accountant's Internal Audit staff at Tipton. Applicants should hold the Final examination of a recognized accounting body and should have had considerable experience of audit work.

The appointment will be subject to the conditions of the National Joint Council (Administrative and Clerical Grades) for the Electricity Supply Industry, and the salary will be Grade 5 - £570-£630.

Applications giving full details of qualifications, age, experience, and present salary should be forwarded within fourteen days, to the Secretary (Ref. FWC), Midlands Electricity Board, Mucklow Hill, Halesowen, Nr. Birmingham.

A. STEPHENS,
Secretary.

North Thames Gas Board

Applications are invited for the post of SENIOR ASSISTANT in the Internal Audit Section of the Accountant's Department. Candidates, who must be qualified accountants, should have had two or three years' experience since qualifying and be not more than 30 years of age. Previous experience of public utility work would be an advantage, but is not essential. Salary will be in accordance with A.P.T. Grade 12 (£675–£800 per annum), depending on qualifications and experience. The appointment is of a permanent nature, and pension arrangements will be discussed with short-list candidates.

Applications, giving full particulars, should be sent to the Staff Controller, North Thames Gas Board, 30 Kensington Church Street, London, W8, quoting reference 9989, to reach him not later than ten days after the publication of this advertisement.

URWICK, ORR & PARTNERS seek additional staff for the Accountancy and Administrative Division of their professional work as CONSULTING SPECIALISTS IN ORGANIZATION AND MANAGEMENT. Applicants must satisfy the following requirements:

1. Professional qualification in accountancy.
2. Some years' responsible executive experience in senior industrial appointments.
3. Knowledge and experience of modern techniques of cost control.
4. Sound general education and wide interest in contemporary affairs.

Successful candidates will be trained as Management Consultants at the company's own training centre.

Applications should be addressed in WRITING to the Company's offices at 7 Park Lane, London, W1, quoting reference C/1047.

Liverpool Regional Hospital Board

Applications are invited for the permanent appointment of INTERNAL AUDITOR in the Treasurer's Division of the Board.

Applicants should have had considerable experience in audit and accountancy work and possession of a recognized professional accountancy qualification would be considered an advantage.

Salary £595 × £20/25 – £660 per annum. A P.T. Grade V. The salary scales are at present under review.

The appointment is subject to the National Health Service (Superannuation) Regulations, 1950, and the successful candidate may be required to pass a medical examination.

Applications stating age, qualifications, experience, present and previous appointments, together with the names and addresses of three referees, should be sent to the undersigned at 19 James Street, Liverpool, 2, not later than June 4th, 1951.

VINCENT COLLINGE,
Secretary to the Board.

The Accountant

ESTABLISHED 1874

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THE SOCIETY'S YEAR

THE proceedings at the sixty-sixth annual general meeting of the Society of Incorporated Accountants and Auditors, held on Wednesday, May 23rd, 1951, are reported elsewhere in this issue. It was a matter for regret that the meeting could not be held in the Society's own hall, restoration of which, after serious and extensive damage sustained in 1944, has only just been completed. Unfortunately, the plans for extending the office accommodation which it had been hoped to execute simultaneously with the renovation of the hall have had to be deferred owing to the needs of the times.

We are pleased to note that despite these cramping physical restrictions which, we hope, will soon be eased, the Society grows apace both in numbers and in the wide range of its activities. The membership at December 31st, 1950, totalled 8,787 as compared with 8,496 at the end of 1949 and the influx of articled clerks and bye-law candidates was steadily maintained. The disappointing Final examination results for May 1950 caused some concern but the percentage of successes in November was appreciably higher. In this connexion it is significant that of the 455 candidates who failed in May only 181 presented themselves again in November. The percentage of passes for the year in the Final examination was 37 as against 45 in 1949. Of the unsuccessful candidates, 57 per cent had been granted exemption from the Intermediate examination under war service concessions. Of the Intermediate candidates in 1950 48 per cent passed as compared with 50 per cent in 1949. These figures show that entrance to the Society is not lightly to be won and that a consistently high standard is demanded of those aspiring to membership.

What might be called the post-graduate activities of the Society's members continue to flourish. A week-end taxation course was held at Ashridge in June and a general course at Balliol College, Oxford, in September. The dissemination of knowledge locally also continued to good purpose, some 380 lectures being arranged by the district societies for members and students in the United Kingdom and Eire. In wider fields the Society has submitted memoranda to a number of important bodies, among them the TUCKER Committee set up to consider the taxation treatment of provisions for retirement; it is now engaged on the preparation of evidence for the Royal Commission on Taxation.

In his speech at the previous annual general meeting of the Society, the President, MR A. STUART ALLEN, F.S.A.A., gave an illustration of the combined effect of the rise in the price level and of the continuing burden of taxation upon the fortunes of a

medium-sized company.[1] If in 1900 its issued capital (which also represented its working capital) had been £100,000 then by 1949 it would require, under the conditions now obtaining, an annual profit of 43·4 per cent of its issued capital to enable it, without thought of expansion, merely to conserve its worth, pay its taxes and distribute a gross dividend of 6 per cent.

This year MR ALLEN returned to the attack and gave another example of the effects of inflation and taxation on enterprise, this time on the efforts of an individual possessing little more than 'skill and a will to work' who feels that his talents could be applied more constructively in his own business than would be possible 'within the limits of any employment, however congenial'. The specimen tables prepared by the PRESIDENT (reproduced on another page in this issue) demonstrate the extent to which the increase in price levels over a period of forty years has inflated the apparent earning capacity of the individual, measured in terms of money, without any real additional gain, and show how the progressive rate of taxation has prevented him (within the range of earnings presupposed) from setting aside anything more than the equivalent of his original yearly accumulation of capital for expansion. The man who earned £201 gross in 1910 is now no better off with £804. If he made £997 then, he must make £8,066 today unless he forms himself into a private limited company when £5,480 will suffice.

MR ALLEN, in selecting this income range, included in his observations the great bulk of the trading community. According to the latest report of the Commissioners of Inland Revenue, 99·5 per cent of those assessed under Schedule D for 1948–49 were within the range of profits from nil to £5,000 and the aggregate of trading profits which fell within these limits constituted 90·8 per cent of the total assessed under that schedule. It was from such humble beginnings that most of our great commercial enterprises have sprung and it would be disastrous if a perpetuation of present conditions, which are the very negation of democracy, were to preclude the possibility of another LORD NUFFIELD or SIR THOMAS LIPTON emerging from the ranks. Nevertheless, although it is certainly discouraging, as Alice found, to run very fast for a long time and find yourself in the same place, the answer ma be contained in the advice of the Red Quee that if you want to get somewhere else you mus run at least twice as fast as that.

Misfortune, moreover, like all human experi ences, is relative and sympathy for this sectio of the community must be tempered by th reassuring fact that according to Board of Trad and Inland Revenue statistics, their numbers despite the risks involved, are as high as eve an indication that the spirit of enterprise although apparently circumscribed, is as ye undiminished.

There are, on the other hand, sections of th community much more hardly hit by presen conditions. Among the great body of salary an wage-earners are many whose incomes do no keep pace with the cost of living, whose savings obediently deposited in some form of govern ment security, have not the buoyancy of th merchant's stock-in-trade and whose provision for old age, once seemingly generous, now appea pathetically inadequate. Worse still is the pligh of many *rentiers* and present pensioners whose incomes are rigid and whose expenses, as they grow more infirm, soar. These are the real victims of such times and the solution to the problem o our present discontent, which is common to al humanity, will have to embrace not only every class in the community but every community in the world.

The PRESIDENT concluded his speech with some observations on estate duties and pointed ou that because of the high rates in force, British subjects who had spent their working lives abroad were discouraged from coming home to retire. For example, if a man came back from abroad with a capital of £400,000, he and his executors between them would have to pay the State £488,000 for the privilege of spending the remaining fourteen years' expectation of his life in England's green and pleasant land. Taxation would amount to £228,000, being £16,300 of his gross annual income of £20,000 assuming his capital to be invested at 5 per cent, and estate duty (at 65 per cent) would account for the balance of £260,000. His average annual contribution to the Exchequer over fourteen years would thus be £35,000. The remark of Mr Gallaher to Mr Sheen that 'the cost of living is so high, it is cheaper now to die' is no longer applicable.

[1] *The Accountant*, June 3rd, 1950.

ROAD HAULIERS' COMPENSATION

IN a leading article in our issue of December 2nd, 1950, we discussed some of the problems which have arisen in computing the compensation payable under Part III of the Transport Act, 1947, in respect of road haulage undertakings taken over by the Road Haulage Executive. As a result of a judgment[1] delivered on May 28th last by the Transport Arbitration Tribunal, we are now able to add to the information then given in relation to goodwill and to the deduction of notional expenses in arriving at profit for the purpose of calculating the cessation payment under Section 47 (3) of the Act.

It will be recalled that compensation for cessation, payable under Section 47 (3), although its computation bears all the *indicia* of a computation of goodwill, is not called goodwill by the Act. We hazarded the opinion that the cessation payment did not prevent a haulier from including in his claim to compensation the value of the goodwill as property passing to the Road Haulage Executive. This was one of the two questions which had to be decided in the case referred to above. It appears from the decision that in so far as goodwill adheres to business premises belonging to the undertaking, then in arriving at the value of those business premises under Section 47 (2), the goodwill element should be taken into account. However, the Tribunal did not think that any substantial part of the goodwill of the road haulage undertaking in question could adhere to its business premises, and on the main question of whether goodwill passed as separate property to be valued under Section 47 (2) it found in favour of the Road Haulage Executive. Thus, unless this decision is reversed by the Court of Appeal, it is not open to road hauliers to claim any compensation in respect of goodwill as such; they must be content with the cessation payment under Section 47 (3).

The cessation payment under Section 47 (3), which must now be regarded as in effect compensation for goodwill, is based on profits. Thus the higher the profit the greater the cessation payment. We mentioned in the leading article referred to that in *Arthur J. Maggs Ltd v. Road Haulage Executive* it transpired from the Tribunal's decision that in arriving at the profit in that case, a notional deduction had been made of the annual value of the business premises occupied by the company rent free. We pointed out that there was no warrant in the Act for such a deduction and that it might lead to all kinds of similar adjustments tending to reduce the cessation payment, and asked, 'Is the individual haulier, for instance, to deduct some notional remuneration which he might have had to pay to himself, had he not been proprietor?'

This very point arose in the *Yeoman* case, where a deduction of £2,500 per annum had been made in respect of the notional remuneration for the services of the two partners. This had the effect of cutting down the cessation payment by no less than £8,125, for the multiplication factor adopted was $3\frac{1}{4}$. The Tribunal itself challenged this deduction, and held that it ought not to have been made.

The Tribunal rejected the contention that the decision in *A. J. Maggs Ltd* prevented it from coming to this conclusion. It pointed out that that aspect of the case was not argued, that the undertaking was there owned by a company, and that in any case the nature of the deduction was different. It would seem, however, that the deduction of the Schedule A assessment was nevertheless wrong and could well be challenged.

The point was made by the Road Haulage Executive that the decision not to deduct notional remuneration would operate unfairly in the case of undertakings owned by limited companies, where the profit was often in effect distributed in the form of directors' remuneration, in order to secure earned income relief or for some other reason, with the result that the income-tax profit was much less than it otherwise would be. This can be answered in two ways. In the first place the company is not precluded from arguing that some part of the directors' remuneration is not properly deductible in arriving at profit for the purpose of Section 47 (3) but is a distribution of profit. Secondly, the individual director may be able to claim compensation for loss of employment under Section 101 of the Act. The Tribunal considered that he might fall within the definition of 'officer' in Section 125 (1) while the proprietor or partner of a business clearly would not.

[1] *The Road Haulage Executive v. William Charles Yeoman and Walter Henry Yeoman (trading as C. & G. Yeoman).*

Applying the Tribunal's Decisions

The Transport Act, 1947, is long and complicated, and not the least complicated of its provisions are those which direct how the compensation payable to dispossessed road hauliers is to be computed. The amount payable for each undertaking has to be the subject of an agreement between the Transport Commission (acting through the Road Haulage Executive) on the one hand, and the road haulier on the other. If the sum payable exceeds £20,000, the agreement must be confirmed by the Transport Arbitration Tribunal under Section 108 of the Act, which by subsection (2) provides as follows:

> '(2) The arbitration tribunal shall not confirm any agreement which requires their confirmation unless they are satisfied either
>
> (*a*) that the relevant facts have been fully investigated and the amount agreed to be paid is believed by the parties to the agreement to represent, with as much accuracy as possible, the amount required to be paid on a strict application of the relevant provisions of this Act; or
>
> (*b*) that the amount agreed to be paid represents a reasonable estimate of the amount which would ultimately be found to be payable if the relevant facts were fully ascertained and the relevant provisions of this Act strictly applied thereto, and that further investigation of the facts would cause undue delay or expense; or
>
> (*c*) that the amount to be paid represents a reasonable compromise of a disputed claim.'

A proviso to the subsection empowers the Tribunal to alter the sum payable under the agreement to accord with the above tests.

The fact that there is a minimum limit of £20,000 implies that the purpose of the subsection is to check waste of public money, but the Tribunal is not precluded from increasing the sum payable should it think fit, and it has in fact so acted. Indeed, although the avoidance of waste of public money is important, it is no less important that the dispossessed haulier should receive the full compensation which the Legislature intended him to have. It is unfortunate that the small man, forced to negotiate an agreement with a large and powerful body on statutory provisions which are difficult for anyone to understand, should be deprived of the Tribunal's oversight of the agreement simply because his haulage business is not worth more than £20,000.

It is important then that every Tribunal decision on the interpretation of the compensation provisions should have the widest possible publicity and that decisions adverse to the Road Haulage Executive should be loyally applied by them to all subsequent agreements, unless and until the decisions are reversed by the Court of Appeal. That this is not always done appears from a statement made by the President of the Tribunal on May 28th, 1951, in which he said that the Tribunal's decision in the case of *A. J. Maggs Ltd* had not been applied in agreements which had been submitted for confirmation weeks after the decision. It will be remembered that this decision had the effect, *inter alia*, of increasing cessation payments under Section 47 (3) of the Act, by holding that profits tax is not to be deducted from profits for the purpose of computing the payments.

The PRESIDENT said that in the instances referred to by him, the applications for confirmation had been accompanied by an affidavit, filed on behalf of the Road Haulage Executive, to the effect that the compensation agreed

> 'represents with as much accuracy as possible the amount required to be paid on a strict application of the Act'.

The PRESIDENT added:

> 'Our anxiety has not been relieved by our being informed by the solicitors for the Executive that there has never been any question of not putting decisions of the Tribunal into effect immediately they were known "provided there was no likelihood of appeal against them" and that "the Executive was bound to regard the decision on profits tax as still *sub judice* while there was a possibility of appeal against that decision". While we acquit the Executive and its solicitors of any intentional discourtesy, we consider that this communication discloses a most improper attitude. It is not for the parties to decide that our decisions are wrong, or to arrogate to themselves the right to postpone giving effect to them.'

The decisions of the Tribunal as a court of competent jurisdiction, must of course be taken as correct until they are upset by the Court of Appeal. It is startling, therefore, to hear of the Road Haulage Executive submitting agreements which do not comply with one of those decisions. If this is done with agreements submitted to the Tribunal, one wonders about the fate of the small man whose agreement requires no submission and who has possibly never heard of the decisions.

THE ROYAL COMMISSION: T.U.C.'s EVIDENCE

IN our issue of January 27th last, at page 90, we set out the main heads under which the Royal Commission on the Taxation of Profits and Income had invited written representations. The first of the public bodies to publish the representations made by them is the Trades Union Congress. The T.U.C.'s evidence is concerned mainly with incentives, risk-bearing, savings, inflation and deflation, and the effect of taxation on the distribution of personal income, but it also considers the questions of linking income-tax with social security payments and contributions, graduation of tax rates, personal allowances and, of course, P.A.Y.E.

The T.U.C. considers that the disincentive effect of P.A.Y.E. on overtime working and extra effort generally, as well as its influence in voluntary absenteeism and unofficial strikes, has been exaggerated. It does not favour special reliefs in respect of overtime earnings, largely because of their complexity and the probable danger of collusion between employers and employed. The T.U.C. does favour, however, a more gradual progression from the lowest reduced rate up to the standard rate, to lessen the burden on marginal increases in wages. In effect, of course, this means a general increase in reduced rate relief. Such disincentive influences as there are the T.U.C. would meet by propaganda, explaining just how P.A.Y.E. works and removing misconceptions about it.

The T.U.C. accepts the proposition that very high taxation will tend to reduce, if not the desire, at any rate the ability, to save out of income and to apply those savings in risk-bearing investments. It points out, however, that not all speculative enterprise is socially desirable or beneficial, while some enterprises which are beneficial are neglected by private investors and have to be taken up by the State out of the compulsory savings which taxes to some extent represent. This function of government could, in the view of the T.U.C., be extended. It also points out that a policy of full employment itself reduces the risk of loss of capital.

The T.U.C. agrees that the steeply progressive nature of income-tax discourages saving in those higher income groups where saving is usually the most easy. It rejects, however, the suggestion that taxation should be so altered as to accentuate the differences between rich and poor.

The T.U.C. supports the continuance of the profits tax for several reasons. In the first place the revenue it produces is useful, and secondly 'the community as a whole (through the Government) is entitled to share in the additional profits which accrue to companies in conditions of full employment'. The T.U.C. also makes the point that under full employment prices and profits tend to rise faster than personal incomes so that profits tax serves an anti-inflationary purpose. It does not mention the fact that a great many profits are not subject to profits tax at all. Nor does it mention the problem of the basis period. At present, increases in profits enjoy a delay of a year or more before paying increased income-tax, while income from employment is taxed as it arises.

Finally the T.U.C. supports the distribution provisions of profits tax as encouraging corporate saving.

The T.U.C. gives a reasoned rejection of the argument that high direct taxation increases prices and is therefore inflationary. It considers that such taxation is directly deflationary and can be used as a long-term instrument for controlling inflationary or deflationary tendencies. The effect of P.A.Y.E. is directly and automatically to control these tendencies.

The point has often been made that the sur-tax payer who earns his income is little better off than the one who does not, and that, accordingly, the limit of £2,000 on which earned income relief can be given should be extended. The T.U.C. approaches this problem from a different angle. It also advocates 'a progressive differential in favour of earned incomes' but would achieve it, not by reducing the rates of tax on earned incomes but by increasing those on unearned incomes!

The T.U.C. examines the principles underlying the various proposals, made recently, that the administration of income-tax should be amalgamated with national insurance family allowances, and the like. It concludes that a sufficiently strong case for this change has not yet been made out.

The written evidence of other bodies on the above topics will be awaited with interest.

TAX EVASION AND THE INSPECTORS

TAX evasion is not normally discovered until the guilt of its perpetrator is more or less established. Less arresting in its manifestations than crime in general, its widespread existence is none the less certain.

The most recent reference to the problem appears in the third report of the Committee of Public Accounts[1] for the 1950–51 session. After observing that tax law becomes more complicated with each Finance Act, the report says that there is serious loss of revenue through failure to make assessments or through assessing at less than the proper figure. In pre-war years, with 400,000 fewer traders on its books, smaller incomes, and lower rates, the Inland Revenue netted between £5 million and £10 million a year from what are usually known as back-duty investigations, but it is only comparatively recently that staff has been put to this work again after the almost total cessation in the war years.

The Board of Inland Revenue has produced to the Committee an analysis of settlements reached in a period of some fourteen months to March 31st, 1949, which confirmed the view that evasion was serious and widespread. It is estimated that about 80,000 traders are not assessed at all but could be brought in by systematic investigation. This represents as much as 5 per cent of all traders at present assessed; the number of these who are under-assessed is not of course known.

When the post-war crime wave was the subject of much public discussion, experts and laymen seemed to be agreed that the answer lay in more policemen, and indeed this idea is not difficult to grasp. Tax evasion is a specialized form of crime, needing its own special policemen, the tax inspectors. Without them, the evaders are immune from the punishment which comes to criminals of a more humble kind. We would refer again to a leading article in our issue of November 26th, 1949, where we quoted the FINANCIAL SECRETARY TO THE TREASURY as saying on this subject,

> 'We are building up the inspectorate as fast as we can . . . the whole House will be glad to know that the number of inspectors in 1951 will be in the neighbourhood of 1,630, only 17 short of the number in 1939.'

[1] H.M.S.O. 6*d*.

When this statement was made the war had already been over for more than four years and the tax inspectorate was saddled with the heavy burden of excess profits tax backwash and profits tax, and a whole host of new taxpayers brought in by the rise in money incomes and fall in exemption limits. The Committee recalls in its report that its predecessor as long ago as 1947 had stressed the importance of expediting recruitment and training of staff and that the 1948–49 Committee had touched on the same subject. Even now there are not enough staff to deal with the under-assessments of companies alone, apart from the 80,000 individual traders who make no returns at all. The Committee is disturbed to find that it will be 1954 or 1955 at the earliest before adequate staff are at work.

The report concludes this subject with the following words:

> 'Your Committee think it would have been reasonable to expect that the department would have taken urgent steps, when the shortage of staff first became apparent, to review their recruiting and training arrangements so as to ensure a full complement of trained staff . . . at an earlier date than 1954. Your Committee strongly recommends that such a review should now be made with a view to enabling the department, at an earlier date than is now contemplated, to enforce full and prompt payment of the taxes and duties imposed by Parliament and so to lessen the extra burden which evasion of tax liability places on the general body of honest taxpayers. They hope that in considering the numbers of staff needed for this purpose, the department will have regard not only to the extra return to be expected from investigating particular methods of evasion or types of trader, but also to the effect on public morale of the belief that well-known methods of evasion enable numbers of traders of the less reputable class consistently to avoid payment of the taxes due from them.'

If, as seems to be the case, sufficient recruits of the right calibre are not coming forward from the universities because the salary scales, considered with the conditions of service, are not adequate, the remedy is obvious. Increases to a few hundred key people are not going to make inflation rampant. The country has so far survived the much more costly increases in the armed services.

OFFICE EFFICIENCY

IN a year when it seems fashionable to contrast our way of living with that of a century ago, a comparison of working conditions in offices in 1851 with those of the present day shows that in the course of a hundred years we have, in this respect at least, become much more enlightened. Thanks to Charles Dickens and his illustrators, we know exactly what City offices were like early in Queen Victoria's reign. The clerks' office of Messrs Dodson & Fogg, off Cornhill, was a dark, mouldy, earthy-smelling room with as much light as one might hope to find at the bottom of a reasonably deep well. Such vapid and flat daylight as filtered through the sooty, ground-glass windows of Mr Dombey's counting-house enveloped everything in a studious gloom. Scrooge's clerk worked in a dismal little cell, a kind of tank, copying letters by the light of a candle which had to keep him warm as well.

The office of today, on the other hand, is so designed and decorated as to give the maximum of light and air to its occupants. The furniture and fittings it contains are both practical and pleasing to the eye. Moreover, the introduction of mechanized office appliances has eliminated that element of human drudgery which was perhaps the most regrettable feature of all in those dark Dickensian dens. The result of this gradual revolution is that office workers, reacting favourably to their improved environment, have become more efficient in themselves and have developed potentialities which have raised their work to a new level of responsibility. In consequence, chances of promotion to executive positions are good because a business can be seen more clearly in its true perspective from a live and up-to-date accounts department than from anywhere else within the organization.

Just how far we in this country have advanced in the science of office management is to be demonstrated at the Business Efficiency Exhibition of 1951 which the Lord Mayor of London will open at Olympia next Wednesday. It will be the largest display of its kind ever to be given anywhere. That Great Britain should have this honour may, at first sight, seem surprising in view of the size of America and her well-publicized addiction to elaborately mechanized office systems. Yet the fact remains that we supply three-quarters of the world with office equipment. Each year since the war the industry has set up new production and export records and the figures so far available for this year indicate that the upward tendency will be maintained in 1951.

The main purposes of the exhibition are to show to industrialists and business men how power-operated appliances can help to reduce costs and how efficient office work can increase production or in other words, that the objectives of the factory and of the office – reduced costs and increased output – are identical. That they do not run counter to each other but have in fact a common aim may come as a surprise to those who still imagine that the accounts department is nothing but an inexhaustible drain down which the hard-earned profits of the manufacturing side of the business are dissipated. There may have been some scant justification for this in the past when the functions of accounting were mainly historical; but nowadays, in a highly industrialized and competitive society such as ours, the emphasis of accounting is on the future rather than on the past and only the most myopic can fail to recognize its tremendous influence on the fortunes of an industrial unit.

Most practising accountants are, of course, aware already of this and may indeed have been responsible for converting many of their clients to the same way of thinking by advocating, and even installing, advanced accounting systems. The march of mechanization, however, which is nothing if not swift, still has its detractors as well as its disciples among accountants. This is partly due to an imperfect understanding of machine accounting and the range of uses to which it can be put and partly to the recognition of the fact that established and familiar auditing techniques have radically to be revised when applied to the checking of mechanized records. To any accountant in whom still lurks a little of the Luddite, a visit to the exhibition is essential. He may not be converted by what he sees but the impact of new and challenging ideas should clear his mind of cant, and give it that stimulus to constructive thought which is so necessary in a profession whose members, while remaining observant of the eternal verities, must continually be adapting their techniques to the changing times.

THE INSPECTOR OF TAXES INTERROGATES
THE WIFE OF THE MARKET GARDENER

by WILFRED TULLETT, F.S.A.A.

The Editor informs readers that the characters and places in the following article are purely imaginary and that no reference is intended to any living person or to any particular place.

SCENE: *An Inspector of Taxes' office in the country. It is a pleasant, sunny, Wednesday afternoon. The Inspector is dictating letters. His attention is drawn for a moment to a flock of sheep, shepherded by a shaggy dog, leisurely passing by the office windows. The telephone rings.*

INSPECTOR: Yes?

CLERK: A lady to see you, sir, a Mrs Spitfire-Grasp.

INSPECTOR: I have no appointment with the lady. Tell her. . . .

CLERK: But she insists on seeing you, sir. As a matter of fact she is on her way up to your room now. I just could not stop her, sir.

(*There is a sharp rat-tat on the door, and a very self-possessed woman with a determined appearance bursts into the room.*)

MRS S.-G.: *I* am Mrs Spitfire-Grasp. Are you the Inspector of Taxes?

INSPECTOR: I am. But you have no appointment, madam.

MRS S.-G.: Appointment! I have no time to make appointments. Has not my husband an appointment?

INSPECTOR: What is your husband's name?

MRS S.-G.: My husband's name? Grasp, of course; William Grasp.

INSPECTOR: Yes. Mr William Grasp did make an appointment. I did not connect him with *you.*

MRS S.-G.: That does not surprise me. My husband would not cut much ice here. I thought it better to come myself. You men do not seem to have got anywhere.

INSPECTOR (*to his clerk*): Thank you, Miss Winnington. I will see this lady. Please sit down, madam.

GIRL CLERK (*with admirable facial control*): Yes, sir. (*Goes out.*)

INSPECTOR: And now, madam, perhaps you will explain why you have come.

MRS S.-G.: Most certainly. My husband informs me that you intend to tax us on the sale of our gillyflowers, statice, chrysanthemums, and other flowers.

INSPECTOR: I see no reason why you should not be taxed on this income. You are in the market gardening business, and it is part of your income.

MRS S.-G.: Well, William might give in to you, but not me.

INSPECTOR: Just what do you mean by that?

MRS S.-G.: That we are *not* going to pay on it.

INSPECTOR: You are not going to pay on it?

MRS S.-G.: That is what I said. I have made a special journey here to tell you that. If you will just accept this statement, it will save a great deal of time. When I say a thing, I mean it. When I say I will do a thing, I do it, but when I say I will *not* do a thing . . .

INSPECTOR (*cautiously*): Perhaps you will give me your reasons?

MRS S.-G.: No, no. I am not to be caught that way. You tell *me* why I should pay.

INSPECTOR: I have already told you. You are in the market gardening business, and it is part of that income.

MRS S.-G.: I maintain that it is not.

INSPECTOR: But you grow these things, and sell them with the other produce of the ground?

MRS S.-G.: Yes.

INSPECTOR: Then I cannot change my attitude.

MRS S.-G. (*raising her voice*): Just get this straight, Inspector. I have told you that it is not part of our market gardening business, and you will have to accept that. Is not that good enough?

INSPECTOR: I am afraid that it is not.

MRS S.-G.: I have come here at great inconvenience and I did expect courtesy at the least.

INSPECTOR: It is not a matter of courtesy. In my job I must have evidence.

MRS S.-G.: Evidence? Surely my standing is such that my word can be accepted. No one else doubts it. Does the Inland Revenue department assume that no one tells the truth unless they can produce evidence? Even if I produce some specimens, I suppose it would not change your attitude?

INSPECTOR: Not if you make money at it.

MRS S.-G.: I do not say that I do not make money at it. I maintain that it is not part of our general income. The money does not go into the business bank account. Does that help?

INSPECTOR: I do not think that it does.

Mrs S.-G.: But it is evidence that it does not form part of our market gardening income.

Inspector: No, it is not. It simply infers that you do not regard it so.

Mrs S.-G.: There you are, then. If you can accept that, then you have some evidence.

Inspector: Really, madam, you just do not understand.

Mrs S.-G.: And another thing. All these sales, cost of seeds, manures, etc., have been separately recorded, quite distinct from our ordinary accounts.

Inspector: Will you *please* answer me one question?

Mrs S.-G. (*suspiciously*): What is it?

Inspector: *Where* do you grow these gilly . . . gillyflowers and things?

Mrs S.-G.: Where! On our own ground, of course.

Inspector (*trying to keep control*): I know *that.*

Mrs S.-G.: *Well! ! ! !*

Inspector (*still probing*): On which *piece* of ground do you grow them?

Mrs S.-G.: Just what difference does that make?

Inspector: You are not answering my question.

Mrs S.-G.: If you must know, I will tell you. They are all grown on the three-quarters of an acre of ground which surrounds our cottage.

Inspector: Well, I'm . . .

Mrs S.-G.: I beg your pardon!

Inspector: Why did not your husband inform me where you grew these things?

Mrs S.-G.: Because it is my affair, not his. I look after all that grows in the three-quarters of an acre of land which surrounds our house. It has nothing to do with William. In any case, what difference would it have made?

Inspector: Just this. Ground round a house, not exceeding an acre, is included in the assessment on the house, and it is not charged for income-tax again. By concession, flowers, produce, etc., from this three-quarters of an acre of yours do not come in for income-tax.

Mrs S.-G. (*jubilantly*): I *knew* it! And all this needless argument! Good-day to you, Inspector. I have wasted enough time here today. I will be going. I have another little matter to discuss with you one day when I can find time. I shall have something to say to my husband when I get home. If only he had used a bit more sense!

Inspector (*only too glad to be rid of her*): Good-bye. (*Then, as he closes the door behind her*): *Poor* William!

(*There is a knock at the door, and Mrs S.-G. pushes her head in.*)

Mrs S.-G.: Oh, I forgot to tell you, Inspector. I have been made president of our Institute this year. We have a large membership. Most of our members have cottage gardens like ours. I will send them in to you.

Inspector (*as he sinks back into his chair*): Oh dear!!!

WEEKLY NOTES

Revenue Concessions

For many years extra-statutory concessions have been a feature of the taxes administered by the Board of Inland Revenue. Most of them have been introduced by the Board itself, although taxpayers owe at least one of them to the Treasury. These concessions do not receive the same amount of publicity as the laws which they modify, so that some taxpayers get the benefit of them while others do not. The useful practice has been introduced of setting out the concessions[1] in the annual Inland Revenue Report, although this is hardly the place in which one would normally look for the law. Another unsatisfactory aspect of the concessions is that they introduce into tax law alterations for which there is no parliamentary sanction. Moreover, the Board has kept no records to show what is their aggregate fiscal effect. This fact is touched upon by the Committee of Public Accounts for the session 1950–51, in its third report, where the hope is expressed that the current concessions of general application will either be regularized by statute, for which an opportunity is provided by the annual Finance Bill, or will be terminated. The report recalls that the 1913 Committee made a similar suggestion!

[1] Reproduced in *The Accountant*, dated January 20th, 1951.

Rehabilitation Expenditure and Income Tax

We reproduce the following paragraph from *The Times* of May 30th, 1951, by kind permission of the Editor.

'Our Parliamentary Correspondent writes: An amendment to the Finance Bill tabled in the House of Commons by the Chancellor of the Exchequer extends the period within which capital expenditure on rehabilitation must be incurred if it is to qualify for relief from income-tax and profits tax from March 31st, 1952, to March 31st, 1954.'

150th Anniversary of the 'House'

Their Majesties the King and Queen, accompanied by Princess Margaret, visited the Stock Exchange last Wednesday week on the occasion of the commemoration of the one hundred and fiftieth anniver-

sary of the laying of the foundation stone of the 'House'.

Pleasant as these occasions are, when in this case a century and a half of distinguished service to the investing public is celebrated, the commemorations have – almost by coincidence – a further significance. For these celebrations can be taken as the marking of the end of an era for the 'House'. They bring to a close a period which began with the 1928–29 boom and ended with the 1947 Companies Act, a period during which the members have accepted changes in the constitution and conventions of the 'House', which means that they see the Stock Exchange not only as an instrument for canalizing savings into investment, important as that may be in itself, but also as a public institution with wider and unremunerated burdens.

The new era begins with increased discussion among members and the informed public about publicizing the activities of the Stock Exchange among the general public and of how the 'House' can be made the means of mobilizing for the community the resources of the small saver as well as serving the dwindling ranks of the non-institutional large savers. There is, too, talk of some form of amalgamation of the stock exchanges throughout the country, a matter to which the Chairman of the Stock Exchange alluded in a speech at the hundred and fiftieth anniversary dinner last Monday.

It was not uncommon to say not so many years ago that the Stock Exchange was a dying institution, a victim to declining turnover and the prejudices of uninformed critics. These anniversary celebrations have shown that the 'House' has large resources in its members for adapting itself to change. Tradition and resilience make a powerful combination towards ensuring a prosperous future.

Steel Output Problems

An article in the current issue of the monthly bulletin of the Iron and Steel Federation deals with production problems of the steel industry for the rest of 1951. It is expected that production this year will run at the rate of 16 million tons. This will be slightly less than last year, but there is no prospect that imports of scrap can be maintained at a level sufficient to keep production above the 16 million mark. Those steel works, such as the Scottish plants, which depend to no small extent on imported scrap are already having to be cut back. New plant built on the home ore fields will enable production to rise to 18 million tons a year by 1954 but there is no prospect of an immediate expansion.

The bulletin points out that the two consequent problems for the industry, which come from what is hoped to be a stable level of output of 16 million tons are: first, should old capacity be withdrawn, as was originally intended when the new plant came into operation; second, will it be necessary to introduce an allocation scheme for the main users of steel? The article is non-committal on this second issue, but it points out that the industry is now better equipped than ever before with statistics of the flow of steel to its end-uses and these could be quickly made the instrument of any scheme which proved necessary. It is also emphasized that the supply of metals other than steel for alloying purposes may be a decisive factor.

I.M.F. and Freer Exchanges

The second annual report by the International Monetary Fund on exchange restrictions was issued at the beginning of this week. It reminds member countries that they are expected to live up to their obligations under the Fund Agreement. While admitting that the great improvement in the world balance of payments situation has made it possible for certain countries to relax their exchange discriminations, it is time in the I.M.F.'s opinion that further steps were taken.

To this end the Fund proposes to undertake consultation with members in the coming year in order to adjust existing exchange restrictions, to remove restrictions and to work out measures to overcome financial obstacles including the use of the Fund's resources.

Inflation in Europe

Greater inflationary pressure is the keynote of the Economic Commission for Europe's report on 1950, published recently. It points out that there has been a notable increase in industrial production last year, to the extent of some 13 per cent in fact. But this expansion has been accompanied by an increasingly severe scarcity of essential raw materials. For some time, industry was able to keep output at a high level by drawing on stocks, but this solution will not be feasible in 1951. Much of the price increases of raw materials has been due to anticipation of rearmament spending, rather than actual military outlay.

One of the consequences of the sharp increase in the price of commodities has been a large increase in the incomes of those nationals whose countries export such materials. Export prices have risen, which has put more purchasing power into the hands of producers, but this has not led, as it should have done, to a large increase in capital outlay in such countries since the capital goods do not exist to buy from abroad. Nor has it led to increased local production. Instead there has been a series of local inflationary booms based on a limited supply of consumer goods.

So far as this country and the United States are concerned, these conditions have resulted in a worsening of the terms of trade. In other words, primary producing countries are exporting their inflation. Conditions in Europe are indeed such that increasing amounts of purchasing power are being created, costs are rising and the supply of consumer goods is not keeping pace with the increase.

The report comes to the rather pessimistic conclusion that counter measures to combat inflation in Europe might now come too late to avoid some of the worst features of rocketing prices.

FINANCE AND COMMERCE

Complete Revaluation

Revaluation of the fixed assets of Imperial Chemical Industries Ltd has provided one of those outstanding events in the company world that fill the headlines. *The Times*, for instance, in its leading City note, said: 'The full accounts now published show the company for the first time in modern dress – financially displayed in terms of post-war pounds in which the I.C.I.'s balance sheet has hitherto been (and other companies' balance sheets still are) presented'.

The actual accounts (minus the 'notes') are provided for readers of *The Accountant* in this week's reprint.

The two main tasks that had to be undertaken, as a lengthy chapter in the annual report explains, were the calculation of the replacement cost of the group's industrial assets at present-day prices and the formation of estimates of the present lives of the existing plants. These calculations and estimates were carried out by the chief engineers in the divisions in collaboration with the chief accountants, subject to guidance by a small central committee whose main purpose was to ensure reasonable uniformity in methods employed. The result was a complete revaluation of all home manufacturing assets with the exception of those of recent construction, or purchased from the Government since the end of the war, and certain office buildings, housing estates and agricultural properties.

Reserves Increased

In the words of the actual report, 'the valuation is that of the estimated present-day cost of construction or acquisition of the company's manufacturing assets reduced to take account of the age of the assets – not the full cost of the present-day replacement of such assets in new condition'.

The result of the incorporation of these new values in the 1950 accounts is an increase in capital reserves equal to the valuation surplus of net book values at end-1949. The surplus, amounting to £96,120,273, has been brought into the balance sheet in two portions. First, the amount of £58,227,768 which represents the freeing, due to the revaluation, of those amounts which up to end-1949 had either been written off previous book values or had been accumulated as central obsolescence and depreciation provision, has been included under the general section of capital reserves. Secondly, the amount of £37,892,505, being the excess of the total surplus over the amounts freed in respect of past writings off and central provision, has been included with capital reserves under a separate heading.

Changed Practice

This revaluation of manufacturing assets, the report goes on, has enabled the directors to arrive at a more accurate determination of the depreciation charge, since it is now possible to calculate this charge separately for each item of plant – or each group of items where this was convenient – by dividing the new present value of the plant by the number of years of useful life remaining. The practice followed in former years, of making a lump-sum charge for annual depreciation, has therefore been abandoned. The change of practice has resulted in a considerably heavier charge against profits for 1950 than in 1949.

The report emphasizes that, although depreciation calculated and charged in this manner will suffice to write off the manufacturing assets over their remaining lives, it will still fail to provide in full against the total cost of replacing those assets when the time for such replacement arises, because the full present-day replacement cost of the assets, in new condition, is considerably in excess of the revised book values which have been adopted as representing their present values in their partly used condition.

What amount of extra reserves would be required to make good the full cost of replacement cannot be determined accurately because the exact length of the lives of existing assets and the level of construction costs when they ultimately have to be replaced, cannot be known at the present time. It would obviously be a very substantial figure, however.

Proper Course

The directors have therefore decided that the proper course is to supplement the depreciation charge computed on the new basis by an additional reserve to be built up by appropriating out of profits each year such extra amount as appears to be desirable on the information then available. The amount proposed to be set aside in this way out of 1950 profits is £5 million and has been included under capital reserves as a reserve for obsolescence and replacement of assets. The step taken by I.C.I. in carrying through the valuation and presenting the company's accounts in this fashion is, of course, a revolutionary one. The company's finance director is Mr S. P. Chambers, a former member of the Board of Inland Revenue and at one time chief of the Financial Division of the Control Commission in Germany, who resigned from the public service when he joined the I.C.I. board in July 1947.

His view, expressed in a recent article in the *Financial Times*, is that accountancy rules developed during a period of comparatively stable money values require reconsideration when change in the value of money is substantial. And this, of course, is most important in connexion with depreciation. The Chancellor of the Exchequer, Mr Chambers said, could fairly claim that so long as industry stuck to accountancy rules which ignored changes in the value of money, he was entitled to do the same.

IMPERIAL CHEMICAL INDUSTRIES LIMITED

Balance Sheet at December 31st, 1950

1949 £			£	£
	I. SHARE CAPITAL AND RESERVES			
	Capital			
	Authorized in Shares of £1 each			
24,081,956	7 per cent Cumulative Preference Shares		24,081,956	
60,558,139	Ordinary Shares		60,558,139	
10,359,905	Unclassified Shares		10,359,905	
£95,000,000			£95,000,000	
	Issued and converted into Stock			
24,077,691	7 per cent Cumulative Preference Stock		24,077,691	
60,558,139	Ordinary Stock		60,558,139	
84,635,830				84,635,830
	Capital Reserves			
	General			
4,960,079	As at December 31st, 1949	£4,960,079		
2,111,800	E.P.T. Post-war Refund	2,111,800		
—	Net surplus on realizations of Fixed Assets during 1950	184,487		
—	Amount freed on Revaluation of Physical Assets at January 1st, 1950, being Central Obsolescence and Depreciation Provision and writings off Physical Assets to December 31st, 1949 ..	58,227,768		
			65,484,134	
9,777,450	**Share Premium Account**		9,777,450	
	Revaluation of Physical Assets at January 1st, 1950			
—	Surplus in excess of £58,227,768, freed as above ..		37,892,505	
	Obsolescence and Replacement of Assets			
—	Appropriated from Profits for year 1950		5,000,000	
16,849,329				118,154,089
	Revenue Reserves			
17,441,648	**General**		17,441,648	
502,580	**Metal Stocks Contingency**		502,580	
	Stock Replacement			
—	Appropriated from Profits for year 1950		4,000,000	
4,328,249	**Profit and Loss Appropriation Account**		4,424,588	
22,272,477				26,368,816
123,757,636				229,158,735
	II. FUTURE UNITED KINGDOM INCOME TAX			
1,764,000	Reserve for estimated liability 1951–52		6,685,879	
4,891,000	Reserve for deferred liability due to initial allowances		7,851,000	
6,655,000				14,536,879
	III. UNSECURED LOANS			
—	4 per cent Loan Stock Repayable 1958–60		20,000,000	
595,564	4 per cent Loan Repayable by 1958		535,442	
595,564				20,535,442
	IV. CURRENT LIABILITIES AND PROVISIONS			
16,125,492	Sundry Creditors, Short-term Deposits and Accrued Charges		18,826,673	
—	Bank Overdraft: Secured		1,278,750	
379	Unsecured		—	
17,623,281	Provisions for Taxation, Deferred Repairs and Specific Liabilities		15,336,930	
200,000	War Personnel Provision		200,000	
2,794,984	Dividends (less tax) provided as shown in Profit and Loss Appropriation Account		3,324,868	
36,744,136				38,967,221
£167,752,336				£303,198,277

1949 £		At cost or as revalued at January 1st, 1950 £	Amounts written off £	Net Book Value £
	I. FIXED ASSETS			
	Physical Assets			
20,800,966	Land and Buildings	51,173,328	1,775,151	49,398,177
43,745,630	Plant and Machinery	130,327,980	6,115,115	124,212,865
2,707,692	Transport and Rolling Stock etc. ..	5,242,408	707,469	4,534,939
67,254,288		£186,743,716	£8,597,735	178,145,981
1,286,475	Loose Tools, Office Furniture and Sundry Equipment at net book value at December 31st, 1950 ..			1,443,583
68,540,763				179,589,564
	Intangible Assets at cost less amounts written off			
15,043,766	Patents, Processes, Mineral Rights, Trade Marks and Goodwill			15,043,876
	II. INTERESTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES			
	Shares in and advances to and from Subsidiaries including Dividends (less tax) due for the year 1950			
10,606,977	**Shares** at cost or as revalued less provisions and amounts written off		13,675,990	
7,563,333	**Advances to Subsidiaries**		12,449,274	
18,170,310			26,125,264	
7,040,650	*Less* **Advances from Subsidiaries**		5,701,764	
11,129,660				20,423,500
	Shares and Debentures in Associated Companies			
15,086,950	at cost or as revalued		13,794,432	
2,714,549	*Less* Provisions and amounts written off		2,460,016	
12,372,401				11,334,416
	III. CURRENT ASSETS			
36,788,334	Stocks of Raw Materials, Stores, Finished Goods, etc., at or under cost		41,312,121	
17,855,309	Sundry Debtors, Housing and other Loans and Payments in Advance		21,778,640	
1,000	Loan to Trustees of Employees' Share Investment Scheme		2,500	
1,722,326	Marketable Investments at cost (market value £3,304,980)		1,722,326	
—	Tax Reserve Certificates		6,000,000	
4,298,777	Cash at Bankers and in hand		5,991,334	
60,665,746				76,806,921
£167,752,336				£303,198,277

J. ROGERS
S. P. CHAMBERS } *Directors.*

J. L. ARMSTRONG, *Treasurer.*

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF IMPERIAL CHEMICAL INDUSTRIES LIMITED AND 100 SUBSIDIARIES

for the year ended December 31st, 1950

(1949 figures cover I.C.I. Ltd and 93 subsidiaries)

1949 £		£	£
15,830,493	**MANUFACTURING and TRADING PROFITS** *less* **LOSSES** after charging the items inset below		28,922,334

1949 £	£		£
6,660,622		**Depreciation**	8,694,823
2,771,383		**Payments to Contributory Pension Funds for Staff, Foremen and Workers, Discretionary Pensions and Gratuities** (including provisions of £480,000 (*1949 £120,000*) towards anticipated future solvency guarantee payments and £638,000 (*1949 £159,500*) towards the cost of increased pension for staff and foremen)	4,011,343
		Remuneration of Auditors (including expenses) £	
	23,152	Imperial Chemical Industries Ltd and operating Divisions 26,225	
	30,397	Subsidiaries 36,353	
53,549			62,578

1949 £		£	£
1,377,460	**Revenue from Associated Companies**		2,355,826
222,229	**Revenue from Marketable Investments and other Securities**		203,065
189,729	**Revenue from Property**		191,677
66,651	**Interest and Miscellaneous Income (including Transfer Fees)**		68,738
17,686,562			31,741,640
149,678	*Less* **Debenture and Fixed Loan Interest**	£385,939	
213,375	**Other Loan Interest**	337,244	
363,053			723,183
17,323,509	**CONSOLIDATED INCOME BEFORE TAXATION**		31,018,457
	Less **Taxation (based on income of the year)**		
2,976,425	U.K. Profits Tax £5,102,376		
3,724,920	U.K. Income Tax 9,567,547		
293,252	Overseas Taxes (net after reliefs) 678,229		
6,994,597		15,348,152	
497,769	*Less* Overprovisions in past years	2,892,460	
6,496,828			12,455,692
10,826,681	**CONSOLIDATED INCOME AFTER TAXATION**		18,562,765
—	*Less* **Appropriation by Subsidiaries to Reserve for deferred income-tax liability due to initial allowances**		106,185
10,826,681			18,456,580
	Less **Net Dividends of Subsidiaries appropriate to**	£	
281,517	**Minority Members**	376,768	
198,684	**Undistributed Income of Subsidiaries appropriate to Minority Members**	229,052	
480,201			605,820
10,346,480			17,850,760
554,977	*Less* **Undistributed Income of Subsidiaries appropriate to Imperial Chemical Industries Ltd**		1,006,848
£9,791,503	**Net Income of Imperial Chemical Industries Ltd for the year carried to Profit and Loss Appropriation Account**		£16,843,912

PROFIT AND LOSS APPROPRIATION ACCOUNT OF IMPERIAL CHEMICAL INDUSTRIES LIMITED

for the year ended December 31st, 1950

1949 £		£	£	£
9,791,503	**NET INCOME OF IMPERIAL CHEMICAL INDUSTRIES LTD for the year 1950 from Consolidated Profit and Loss Account**			16,843,912
4,009,435	*Add* **Balance brought forward from 1949**			4,328,249
13,800,938				21,172,161
	Less **Appropriations**			
2,215,000	**Reserve for deferred income-tax liability due to initial allowances**		2,960,000	
1,500,000	*Central Obsolescence and Depreciation Provision*		—	
500,000	*Capital Reserve – General*		—	
—	**Capital Reserve – Obsolescence and Replacement of Assets**		5,000,000	
1,000,000	*Revenue Reserve – General*		—	
—	**Revenue Reserve – Stock Replacement**		4,000,000	
	Dividends (less tax) for 1950			
	Paid	£		
463,496	(*a*) 7 per cent Cumulative Preference Stock, half-year to June 30th, 1950	463,496		
999,209	(*b*) Ordinary Stock, Interim Dividend 3 per cent	999,209		
1,462,705			1,462,705	
	Provided			
463,496	(*a*) 7 per cent Cumulative Preference Stock, half year to December 31st, 1950	463,496		
2,331,488	(*b*) Ordinary Stock, Final Dividend 9 per cent	2,861,372		
2,794,984			3,324,868	
9,472,689				16,747,573
£4,328,249	**Balance carried to Balance Sheet page 26**			£4,424,588

CONSOLIDATED BALANCE SHEET at DECEMBER 31st, 1950 OF IMPERIAL CHEMICAL INDUSTRIES LIMITED AND 100 SUBSIDIARIES

(1949 figures cover I.C.I. Ltd and 93 subsidiaries)

1949 £			Authorized in Shares of £1 each £	Issued and converted into Stock £
	I. SHARE CAPITAL AND SURPLUS OF MEMBERS OF IMPERIAL CHEMICAL INDUSTRIES LIMITED			
	Capital			
24,077,691	7 per cent Cumulative Preference Shares		24,081,956	24,077,691
60,558,139	Ordinary Shares		60,558,139	60,558,139
—	Unclassified Shares		10,359,905	—
84,635,830			£95,000,000	84,635,830
	Surplus			
18,517,858	On Capital Account		121,005,423	
26,051,420	On Revenue Account		31,295,002	
44,569,278				152,300,425
129,205,108				236,936,255
6,822,191	**II. SHARE CAPITAL AND SURPLUS OF MINORITY MEMBERS OF SUBSIDIARIES**			8,624,649
	III. FUTURE UNITED KINGDOM INCOME TAX			
2,801,215	Reserve for estimated liability 1951–52		8,169,635	
4,891,000	Reserve for deferred liability due to initial allowances		7,997,185	
7,692,215				16,166,820
	IV. DEBENTURES AND LOANS			
3,239,869	Debentures and Secured Loans (Subsidiaries)		3,293,809	
595,564	Unsecured Loans (Parent Company)		20,535,442	
3,835,433				23,829,251
	V. CURRENT LIABILITIES AND PROVISIONS			
24,412,993	Sundry Creditors, Bills Payable, Short-term Deposits and Accrued Charges		28,307,910	
—	Bank Overdrafts: Secured	£1,394,130		
5,359,200	Unsecured	4,428,681	5,822,811	
22,709,832	Provisions for Taxation, Deferred Repairs and Specific Liabilities		20,063,217	
200,000	War Personnel Provision		200,000	
2,794,984	I.C.I. Ltd Final Dividends (net)		3,324,868	
55,477,009				57,718,806
£203,031,956				£343,275,781

J. L. ARMSTRONG, *Treasurer.*

1949 £		At cost or as revalued principally at January 1st 1950 £	Amounts written off £	Net Book value £
	I. FIXED ASSETS			
	Physical Assets			
29,722,227	Land and Buildings	64,818,051	4,664,008	60,154,043
46,942,587	Plant and Machinery..	139,811,097	10,714,657	129,096,440
3,332,967	Transport and Rolling Stock etc.	6,704,977	1,384,388	5,320,589
79,997,781		£211,334,125	£16,763,053	194,571,072
1,614,097	Loose Tools, Office Furniture and Sundry Equipment at net book value at December 31st, 1950			1,868,171
81,611,878				196,439,243
	Intangible Assets at cost less amounts written off			
15,737,921	Patents, Processes, Mineral Rights, Trade Marks and Goodwill			16,609,881
	II. INTERESTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES			
10,287	*Shares in Subsidiaries not consolidated, at cost less amounts written off*			—
	Shares and Debentures in Associated Companies at			
16,245,922	cost or as revalued		19,516,169	
2,746,412	*Less* Provisions and amounts written off		2,739,537	
13,499,510				16,776,632
	III. CURRENT ASSETS			
55,067,431	Stocks of Raw Materials, Stores, Finished Goods, etc., at or under cost		59,935,802	
27,664,150	Sundry Debtors, Housing and Other Loans, and Payments in Advance		35,759,046	
2,265,708	Marketable Investments at cost (market value £3,927,651)		2,236,158	
614,884	British Government Securities at cost (market value £705,248)		721,359	
800	Tax Reserve Certificates		6,000,000	
6,559,387	Cash at Bankers and in hand		8,797,660	
92,172,360				113,450,025
£203,031,956				£343,275,781

J. ROGERS
S. P. CHAMBERS } *Directors*

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Measurement of Profit

SIR, – May I thank Mr Bradbury B. Parkinson for having another go in the correspondence columns of your issue of May 26th, 1951. On this question of the measurement of profit we are all agreed that if our period extends from the time 'when Britain first arose from out the azure main' until the last business closes down, the individual and the national income are not in doubt, and will be the same whatever method of calculation is adopted, and in spite of variations in the value of money.

Since, for the whole period, profit is necessarily the difference between outlay by business men and their sales, it follows that orthodox profit keeps closely in line, year by year, with this final result. This is because it does not charge against sales to date, outlay on goods not yet sold, but values them at cost and carries this amount forward. I am ignoring those accepted departures from cost adopted in the interest of prudence and caution.

Mr Parkinson tells me that if we wish to approach reality in our annual profits measurement we must give the goods not sold (i.e. equipment and stock) a different value from this, whereupon income, so calculated, will sometimes run ahead and sometimes lag behind orthodox profit, but will be equal to it in the end.

Now I gather that the orthodox method of calculating profit is but the foundation on which economists build up their conception of reality in profit measurement, but in doing so they patently are not seeking ultimate truth, for that is not in doubt when the last business closes down. If, in the meantime, they can show that some deviation from the orthodox line gives a result which, in this imperfect world, is more true and fair, then they are still in my camp although I may not agree with them.

Alternatively, if the reason for their deviation is that they think their results will influence business men, consumers or trade unions in their decisions, then they are in the opposite camp, for they are not content to present the facts, leaving the individual to make up his own mind. This is where I suspect Mr Parkinson stands, for he says that what he is after assumes some interest in social aims.

May I express a wish that you, sir, will continue to extend the hospitality of your columns for the discussion of this subject which has for too long been confined to your economic contemporaries?

Yours faithfully,

Kings Norton, Birmingham. H. A. BRISCOE.

Sixth Schedule of the Finance Bill

SIR, – The Sixth Schedule of the Finance Bill contains provisions implementing the Chancellor's Budget announcement that increased dividends declared after April 9th, 1951, will be charged to profits tax at the increased rate of 50 per cent.

These provisions involve what is perhaps an unintentional penalty on a company which declared for 1950 a dividend at a higher rate than for 1949 but no greater than the dividend for 1948 or previous years.

The point is precisely illustrated in the case of this company. For the year 1948 out of profits of £80,000 we paid a dividend on the ordinary shares of 10 per cent less tax; for 1949 out of profits of £41,000 we paid a dividend on the ordinary shares of 2½ per cent less tax, and for 1950 out of profits of £81,000 we are paying a dividend on the ordinary shares of 10 per cent less tax. From causes which are not relevant in this context this company suffered a severe setback in 1949 but recovered in 1950 to the 1948 level and is paying the same dividend for 1950 as for 1948. This cannot be said to be an increased dividend except in the very narrow sense that it is higher than a previously reduced dividend.

I cannot think that the intention of the Chancellor is to impose a penalty in a case of this description; only a few words are needed (and it is hoped that they will be inserted) in the Sixth Schedule of the Finance Bill to avoid what would otherwise be a manifest inequity.

Yours faithfully,

A. R. PARKER,

Managing Director,

Manchester, 3. GRATRIX (HOLDINGS) LIMITED

Schedule D: Reimbursement of Ground Rent

SIR, – I should be most interested to learn of any of your readers' experiences of the treatment of ground rent in the following case.

A builder erects a building for eventual sale on leasehold property which he holds under a long lease and for which he pays substantial ground rents. A contract for sale of the completed building exists whereby the purchaser undertakes to purchase the completed building at a price which includes amounts expended by the builder by way of ground rents.

Can the builder claim to set against his Schedule D assessment, or against other taxed income, the gross amount of the ground rents (from which tax has been deducted at the time of payment), arguing that he has sufficient taxed income to absorb the gross ground rents?

The situation would be analagous to that in which an individual sets annual charges against his income (and accounts for tax deductions) before arriving at his taxable income.

Yours faithfully,

RESERVIST.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS

SIXTY-SIXTH ANNUAL GENERAL MEETING

The sixty-sixth annual general meeting of the Society of Incorporated Accountants and Auditors was held at the Hall of the Chartered Auctioneers and Estate Agents' Institute, 29 Lincoln's Inn Fields, London, WC2, on Wednesday, May 23rd, 1951. Mr A. Stuart Allen, F.S.A.A., President of the Society, was in the chair.

PRESIDENTIAL ADDRESS

I trust you will be able to agree that the report of the Council for the year 1950 is both full and informative and that detailed perusal is not necessary this afternoon.[1] Should members desire to raise any questions I suggest they can be dealt with more conveniently before the resolution for adoption is put to the meeting.

With your consent, therefore, I will now turn to matters not dealt with or not fully covered in the report itself.

Incorporated Accountants' Hall

It may have caused some surprise and disappointment that this meeting is not being held in our own Hall. Unfortunately that was not practicable for a number of reasons, which I need not detail, but members will take great pleasure in the thought that henceforward we can hope to conduct all the proceedings of the Society in the hall of which we are justifiably proud.

The damage which the building sustained in 1944, serious and extensive as it was, has not prevented faithful restoration and we are greatly indebted to Sir Percy Thomas for the skill and attention he has devoted to preserving the characteristics of the building and even to enhancing them in certain respects.

It is now some twenty-two years since His Majesty the King (then H.R.H. the Duke of York) was graciously pleased to attend the formal opening, and our pleasure and satisfaction in returning after a long absence in cramped and uncomfortable temporary offices will only be slightly tempered by regret that the plans for extension to meet our growing needs have had to be deferred, due to national exigencies.

Accountancy Bodies Overseas

The report makes reference to the arrangements for the Sixth International Congress to be held in 1952 and to our Australian and South African Branches. In addition, cordial relations have been fostered by the visits to this country of Prof. Gordon Wood and Sir Edwin Nixon, both of Melbourne, and Prof. A. H. Tocker, of Christchurch, New Zealand. Mr T. H. Nicholson, a member of the Council, has recently returned from a visit to the United States and Canada. We expect to meet shortly Mr G. W. A. Chubb, a member from Johannesburg, although his visit is of a sporting rather than of a professional character, since he is a member of the South African cricket team.

[1] The report was reproduced in our issue dated May 19th, 1951.

Obituary

Once again I deeply regret the length of the obituary list. Mr A. N. Foot (Cape Town), Mr H. P. Gowen (Norwich), Mr C. H. Tranmer (Hull), and Mr E. G. White (Carmarthen) were all most active in promoting the interests of the Society in their respective districts. Mr A. H. Hughes was an auditor of the Society for twenty-three years, and Mr Henry Burgess was a member of the Council from 1927 until his retirement in 1940. The Society will deplore the loss of a true friend and the Council of a valued colleague due to the untimely death in February last of Mr A. H. Edwards. I am confident that I speak for the whole Society in expressing sincere appreciation of the work of all those I have named, and I wish to include the name of Mr A. T. Keens and to assure our senior Past-President, Sir Thomas Keens, that we share his sorrow in the loss of his son, whose courage in the face of continued ill health commanded the respect of all who knew him.

Membership

I can add nothing to the data[2] appearing on page 3 of the report, but would call your attention to the fact that the growth of membership shown accords closely with the average for recent years.

Educational Developments

I referred last year to the changes which had taken place in the field of general education. The first General Certificate of Education examination is being held this month, so henceforward we shall be gaining experience enabling us to compare past standards with those which will now prevail. The Society's regulations in respect of the new General Certificate of Education should be regarded as provisional. We intend to insist on a high standard of general education from students who seek to qualify as incorporated accountants and the present regulations will be modified if there are signs that the standard of the new examination does not conform to our expectations. We shall continue to be guided by the valuable advice of Mr S. H. Wood, who has a wide experience of educational matters. I am glad to have this opportunity of acknowledging the debt we owe to Mr Wood.

Training of Students

I particularly wish to emphasize that service under articles should be the main method of recruitment and training of prospective entrants to the Society. The advantages of articles both to the principals and to the clerks are set out in the booklet referred to on page 7 of the report. I would urge members in practice to grant articles when they are satisfied that the applicant is suitable and seriously intends to equip himself for the profession.

Courses

Courses were held at Ashridge in June 1950 and at

[2] Reproduced in *The Accountant*, dated May 19th last at page 489.

Balliol College, Oxford, in September. The former was devoted to taxation subjects and the latter to general accountancy; both were most successful. Arrangements have been concluded with Caius College, Cambridge, for September 13th to 18th next. The papers to be presented will be of a general character, designed to be helpful to members of five to ten years' standing. The Council wish to suggest to employers in the profession that they should encourage members of their staff to attend this course.

Members are aware that a conference is being held in Dublin from the 13th to 15th of next month. We are greatly indebted to the President, Secretary and members of the Society of Incorporated Accountants in Ireland for the arrangements they are making in connexion with the conference and for the enthusiasm with which they are undertaking the heavy task of ensuring its success.

Co-ordination of the Accountancy Profession

I informed members last year that it had been decided not to proceed with the Public Accountants Bill and that alternative proposals were being considered by the Co-ordinating Committee. Early in 1951 a new draft Bill was submitted to the bodies represented on the Committee and was considered by the Council of the Society in March of this year.

The views of the Council on this draft were strongly influenced by the fact that many years ago the profession accepted the principle that a measure of regulation was desirable in the public interest. The Council, therefore, considered it essential that an initial and definite step should now be taken to implement this avowed purpose. It was recognized that certain aspects of the draft Bill were open to serious objection, but it was expected that these features could be modified during the process of bringing the document to the stage at which it would be introduced in Parliament. It was also felt that the full effects of regulation would only emerge over a period of years, which should again provide opportunity for amendments which were found to be desirable in the light of experience. The representatives of the Society on the Co-ordinating Committee were requested to proceed in this sense.

Immediately prior to the next meeting of the Co-ordinating Committee a communication was received from The Institute of Chartered Accountants in England and Wales, the substance of which is expressed by the following extract from the statement made to members of the Institute at their annual general meeting on May 2nd, 1951, by Mr H. Garton Ash, the President of the Institute:

> 'I regret to have to report that although new draft Bills in various forms have received the very careful consideration of the Co-ordinating Committee during the last twelve months, it has not been possible to arrive at any draft which the Council feels that it could recommend to members as satisfying the Institute's minimum requirements. I refer to the protection which should be provided both to the public and to members against the activities of unqualified persons who may be engaged wholly or in part in accountancy work of all kinds and who advertise their services. In the opinion of the Council this arises from the impracticability of arriving at any satisfactory statutory definition of "accountancy" which would be generally acceptable and from the fact that accountancy services which cannot be controlled are rendered by so many persons other than practising accountants themselves. Accordingly the Council has had to advise the Co-ordinating Committee that it has reluctantly reached the conclusion that no useful purpose would be served in continuing negotiations for the co-ordination of the profession on the lines of the draft Bills which have been under consideration.'

It was, however, decided that the Co-ordinating Committee should continue in being to explore the possibility of securing amendment of Section 161 of the Companies Act, 1948, so as to extend the application of that section to all companies and to strengthen the requirements of the Act in relation to the qualification of persons who may be appointed auditors.

Mr Richard A. Witty has been the chief representative of the Society and the Vice-Chairman of the Co-ordinating Committee. The Council are very conscious of the great debt which the Society owes to Mr Witty for the time and thought he has devoted to this difficult subject over many years.

Class G and Class Z Reservists

The Society has been in close touch with the Ministry of Labour and National Service on the question of the call-up of Class G and Class Z reservists in the event of an emergency. The present plans of the Ministry were outlined to representatives of the accountancy bodies at a recent meeting, but cannot be divulged in detail in view of their confidential nature. It is expected that, as time passes and more trained national service men become available, the need of the armed forces for Class G and Class Z reservists should diminish. The intention is to set up machinery which in the event of an emergency would deal with applications for postponement of recall by individual accountants on grounds of exceptional business responsibilities or of domestic hardship.

The natural anxiety of members subject to recall has the full sympathy of the Council and I wish to assure them that the subject is under constant review, both in the national interest and in that of the profession.

The Germination and Growth of Business

At the annual general meeting of last year I devoted some time to the position confronting an established company of modest size which sought to maintain the volume of its trade and to preserve intact its productive equipment in the face of a rapidly rising price level, coupled with heavy taxation. The general question was already being freely discussed, and my purpose was to make a useful contribution by way of a concrete illustration.

As time passed the importance to the national economy of the issues involved became more widely recognized and in July of last year the Prime Minister announced the intention to set up a Royal Commission, but it was not until January of 1951 that the terms of reference were promulgated in the following terms:

> 'To inquire into the present system of taxation of profits and income, including its incidence and effects, with particular reference to the taxation of business profits and the taxation of salaries and wages: to consider whether for the purposes of the national economy the present system is the best way of raising the required revenue from the taxation of profits and income, due regard being paid to the points of view of the taxpayer and of the Exchequer: to consider the present system of personal allowances, reliefs and rates of tax as a means of distributing the tax burden fairly among the individual members of the community: and to make recommendations consistent with maintaining the same total yield of the existing duties in relation to the national income.'

Against the background of conditions prevailing in January last the difficulty of the problem committed to the Commission was clearly apparent, and sympathy with the members was expressed at that time. It will have become far more widespread in the light of subsequent developments, particularly the proposals of the recent Budget – the first instalment of the financial arrangements to implement the three years' rearmament programme.

The Society, in common with other accountancy bodies, is preparing evidence for submission to the Commission, and we shall do everything in our power to ensure that our contribution shall comprise the valuable material which can be derived from the experience of members of the Society in every field of industrial and commercial activity throughout the country.

Today I desire to invite your attention to another and more fundamental aspect of the difficulties which arise out of those same factors of a rapidly rising price level and persistently onerous taxation. I am concerned with what I will call 'Germination and growth of business', that is the founding of an enterprise by an individual who believes that his abilities can be applied more constructively and to better advantage than is possible within the limits of any employment, however congenial. His assets may be mainly the intangibles of skill and a will to work, but it is historically true that from such small beginnings there have developed many undertakings which today make important contributions to the total national product. I would urge that renewal by the continuous process of birth and growth is as essential to a healthy and progressive economy as it is to all other forms of productivity dependent on human effort.

I thought that it might be informative to prepare comparative figures designed to show what it was feasible for an enterprising person to achieve in the early years of the century, then the corresponding figures some twenty years later, and, finally, equivalent figures under present-day conditions, taking into account at each stage the difference in price levels and the appropriate taxation. The starting point in each set of calculations is a figure of net savings which would give a constant purchasing power in terms of wholesale prices, so permitting an increment of trading assets in each period of the same real value.

The first period covers the years 1910 to 1913, both inclusive, and the second the years 1930 to 1933. For the third I am taking the position at the present time, embodying the taxation proposals of the 1951 Budget.

To facilitate comparison, an average for one year has been taken of the figures for the four years comprised in the first two periods; in the third the year 1951 stands by itself.

The following figures have been adopted as being fair indices of the price levels, but it should be borne in mind, however, that for 1951 the indices are those at the beginning of the year, when a sharp upturn in prices had begun to operate and is expected to continue.

	First Period	*Second Period*	*Third Period*
Cost-of-living index	100	150	300
Wholesale prices – all items, including intermediate products and manufactured goods	100	105	350

The basis of each set of figures is to assume for the first period given amounts for savings and for living expenses and then to calculate the equivalent amounts for the second and third periods. Finally the respective taxation liabilities are calculated so as to arrive at the total earnings. Throughout, these liabilities are those for a married man without family.

Since I am seeking to compare the circumstances of a progressive venture the comparisons are founded on three stages of development, firstly, a small business earning approximately £200 per annum, secondly, a venture already making some progress, and, finally, an undertaking with a modest prosperity to its credit. The results of these calculations appear in the table hereunder:

	First Period 1910–13	*Second Period 1930–33*	*Third Period 1951*
First Comparison	£	£	£
Capital accretion	100	105	350
Living	100	150	300
	200	255	650
Taxation	1	5	154
Earnings	£201	£260	£804
	(100)	*(129)*	*(400)*
Second Comparison	£	£	£
Capital accretion	250	262	875
Living	150	225	450
	400	487	1,325
Taxation	9	41	568
Earnings	£409	£528	£1,893
	(100)	*(129)*	*(463)*
Third Comparison	£	£	£
Capital accretion	480	504	1,680
Living	480	720	1,440
	960	1,224	3,120
Taxation	37	219	4,946
Earnings	£997	£1,443	£8,066
	(100)	*(145)*	*(809)*

Revised figures with a Private Limited Company	£
Capital accretion (company)	1,680
Company's taxation	1,685
	3,365
Controlling director's remuneration (net £1,440)	2,115
Total earnings	£5,480
	(550)

It will be observed that the figures for the final period in the third comparison have been restated because the burden of sur-tax upon an individual trader exaggerates the comparison unduly, since the incorporation of the undertaking as a private limited company would operate to remove the bulk of sur-tax burden on the premise that the resources were fully engaged in the maintenance and development of the undertaking.

The figures themselves have been designed to be readily comparable but percentages have been introduced (in italics) and the comparisons are lateral throughout.

I do not propose to embark upon a detailed analysis of the results because the calculations are based on assumptions which, while they are thought to be reasonable, are in no sense factual. They do serve, however, to express concretely the effects which the combination of a marked rise in price levels coupled with a heavy increase in taxation must have in magnifying earnings essential to ensure that a given quantum of trading assets shall be annually added to capital resources. This effect is simply expressed in the following summary from the comparisons set out above:

	Percentage increase between 1910 and 1930	*Percentage increase between 1930 and 1951*
Small business	29	208
Modest business	29	258
More substantial business	45	280

It may be thought that the problems of an individual striving to found and to develop a small business undertaking are of little general interest and, in isolation, there may be a measure of truth in this view, but, on referring to the ninety-third report of the Commissioners of Inland Revenue, the sum total of such efforts is seen to be of great import from the national standpoint:

Range of Trading Profits assessed under Schedule D for 1948–49	*Individual Percentages* *Numbers*	*Amount*
£0 to £1,000	91·3	58·1
£1,000 to £2,000	5·7	17·1
£2,000 to £5,000	2·5	15·6

It is probable that the bulk of the one-man businesses comprised in the above statistics operated in the distributive trades, although no classification is attempted in the report. As the Economic Survey for 1951 estimates that the gross national product for 1951 will exceed that for 1948 by approximately 20 per cent, it is reasonable to conclude that the first two examples for the third period are fairly representative of the bulk of productive undertakings in individual ownership. I trust that members of the Society who are intimately concerned with the welfare and progress of industry throughout the country will be able to endorse the figures at which I have arrived, as typical of many cases within their professional experience.

It is necessary to submit to you but little more statistical material before proceeding to consider the conclusions which can be drawn. We have been told repeatedly, and with authority, that the present rise in prices must be expected to continue, which imposes the conclusion that the figures for the third period will shortly prove to be serious under-estimates. Without attempting prophecy and solely to provide figures to cover the admitted probability, the above statement reflects the effects of two successive rises of 10 per cent each in both indices over those operating at the beginning of the year.

	Present Calculation	*Plus 10 per cent*	*Plus 20 per cent*
First Comparison ..	£	£	£
Capital accretion ..	350	385	420
Living	300	330	360
	650	715	780
Taxation	154	194	234
Earnings	£804	£909	£1,014
Requisite net increase	£65 (10)	£65 (10)	
Corresponding gross increase	£105 (16)	£105 (16)	
Second Comparison ..	£	£	£
Capital accretion ..	875	962	1,050
Living	450	495	540
	1,325	1,457	1,590
Taxation	568	691	871
Earnings	£1,893	£2,148	£2,461
Requisite net increase	£132 (10)	£133 (10)	
Corresponding gross increase	£255 (19)	£313 (24)	
Third Comparison	£	£	£
Capital accretion by company	1,680	1,848	2,016
Living	1,440	1,584	1,728
	3,120	3,432	3,744
Combined taxation ..	2,360	2,750	3,293
Combined earnings ..	£5,480	£6,182	£7,037
Requisite net increase	£312 (10)	£312 (10)	
Corresponding gross increase	£702 (22)	£855 (27)	

The substance of the material which I have presented is not novel. I reminded you last year that in a progressive economy the long-term trend of price levels must be upwards, and it is to be expected that a growing social consciousness should impose increasingly stringent conditions upon the conduct of business undertakings, particularly in relation to the welfare of employees. Once again it is the pace at which these developments occur and the degree to which their consequences are magnified in combination to which I am directing attention. In the first period of twenty years the approximate range of the imposed annual expansion of earnings was from $1\frac{1}{2}$ to just over 2 per cent per annum. In the second period the average range is found to be between 9 and 12 per cent per annum, and for the later years in this period it must have been appreciably higher.

So we see that from the financial standpoint the process of founding and developing a productive business is becoming increasingly arduous – in other words, the opportunities for rejuvenation of the national economy by individual effort are diminishing with frightening rapidity, and this at a time when the need for expansion is greater than ever before.

I cannot attempt to deal today with the many other factors which would need to be taken into account by any person contemplating the adventure of setting up in business on his own account, but I suggest that these factors have multiplied of late and that their deterrent effect is increasing.

The comment may be made that the tendency is for productive processes to become more elaborate and specialized, requiring expensive capital equipment, which must tend to limit the opportunities open to the individual. That is true, but there must still remain many fields of activity in which skill, energy and

persistence could achieve valuable results, and particularly if it were possible to devote to expansion a substantial portion of those results. I would also urge that both types of development are essential to a well-balanced economy.

It will also be said that organizations exist to provide finance for small or medium-sized businesses, and the Industrial & Commercial Finance Corporation Ltd may be cited in this connexion. The report of the corporation for the year to March 31st, 1951, is a record of the results achieved to that date, but as, quite understandably, £5,000 has been fixed as the minimum for any undertaking, it will be realized that this central reservoir cannot irrigate all the industrial seedlings in the country. The report already referred to records that in the year to March 1951 finance in amounts of between £5,000 and £10,000 was provided for eight undertakings. In that year the total number of advances approved was eighty-four and the average amount per undertaking approached £70,000.

I have been concerned to present and to define certain consequences of prevailing conditions in the belief that the extent to which they discourage inception and retard growth is not generally recognized. I suggest that these effects go to the very roots of our economic well-being, and that if they are allowed to persist they must distort the national economy and lead to an increase in the average age of business entities, similar to, but probably more rapid than, the increase which is known to be occurring in the average age of the population.

The Profits Tax and Oversea Undertakings

Before I conclude this part of my address there are two other matters to which I wish to refer. I spoke last year of the origin of the profits tax, and point has been added to what I then said by the recent increase to 50 per cent in the rate of tax applicable to distributed profits.

For some years now the high burden of taxation which is involved by control in this country of undertakings operating oversea has led to repeated warnings that concerns so resident here would be impelled to transfer control abroad and also that new enterprises would avoid British registration for this reason. Official acceptance of this view has now been accorded by clause 32 of the current Finance Bill, which imposes heavy penalties on persons concerned in unauthorized transfers of corporate residence. It is the function of the official to suggest remedies for losses of revenue, but it should be the constructive task of the statesman to create conditions which will foster the expansion of economic activities of all kinds to the advantage of the community and also of the Exchequer.

The combined effect of the increased rates of direct taxes in the Finance Bill is that for each £1 of net dividend £2 19*s* 3*d* of earnings will be required, and for each £1 placed to reserve £2 2*s* 4*d* of earnings. If, in the fullness of time, these reserves should become free for distribution in liquidation or otherwise, the profits tax relief which has been merely suspended will fall upon the reserves, possibly to the full extent of the profits tax, since there can be no certainty that at the time of the distribution any corresponding income-tax relief will be available. For this reason the burden of the belated but inevitable liability may be substantially greater than the difference between the two figures of earnings set out above.

Estate Duties

Turning now to estate duties, these again, in combina tion with onerous annual taxation, are operating t deplete national resources. In the past Britain's ove sea investments were constantly replenished by th resources of our countrymen who came home to retir after many years of work abroad. Today such an ind vidual will soon learn that, in terms of taxation, resic ing here is exceedingly expensive and dying an extrav gance. In many instances these realities cause the ide to be abandoned, and the country is the poorer i consequence.

Conclusion

As my second year of office draws to its close I an conscious of a sense of obligation to all those who serv the interests of the Society, the members of the Counci the officers and the staff. The main credit for th excellent spirit which pervades the organization mu go to the senior members of the Council and to M Alexander Garrett, our secretary for so many yea and now our only honorary member.

Mr Craig, Mr Evan-Jones, and now Mr Nightingir have adopted and fostered that tradition, and ou warmest thanks are due to them, to Mrs Duncalf, an to the staff for working with zest and efficiency unde very trying conditions. I am happy to think that hence forward they will have a measure of comfort mo appropriate to the loyalty of their service.

My final tribute is to a most generous collaborato the Vice-President, Mr Percy Barrowcliff.

At this stage the President made a few remar elaborating certain aspects of his address.

I will now propose, and ask Mr Barrowcliff to secon that the Report of the Council and the accounts for th year to December 31st, 1950, be received and adopte

THE VICE-PRESIDENT (Mr C. Percival Barrowcliff, F.S.A.A. Mr President, ladies and gentlemen, I have very muc pleasure in seconding the proposal so ably proposed by th President.

THE PRESIDENT: The resolution has been proposed an seconded, and the meeting is open for discussion.

DISCUSSION

Mr C. R. RIDDINGTON, F.S.A.A. (Leicester): Mr Presiden I should like to thank you for your very illuminatin remarks, particularly with regard to the position of sma businesses, which comprise, as you have said, over 92 pe cent of the businesses in this country. I think this is a matte of great consequence to the incorporated accountants an other accountants throughout the country at the momen who are continually coming across this aspect of accountanc practice. There is the additional tax, namely, estate dut which, of course, you have left out in your consideration o capital increase, which makes the position considerabl worse. Estate duty is a tax on capital, and as such reall should be ploughed back into the business in the form o capital. I think that is a thing that the Society as such shoul make representations upon.

The point I really want to make, however, is with regar to the Public Accountants Bill. I think it is about eigh years since this was mooted, and discussions have bee going on very gradually over the whole period. I believ the essence of the matter is: is accountancy a profession o not? If it is simply a body with technical knowledg administered by bodies within the scope of that knowledg I do not think it matters whether we are registered or no but if we had set up as a profession, then I believe th profession should be controlled. I do not think it wi affect most of the people in this room whether we ar registered or not. Most of us stand on our experience an

knowledge of the fact that the name 'incorporated accountant' does stand for a good deal in this country, but that is not enough. I think that we have got to go further than the actual fact that we belong to a well-known society. We really have to consider the public benefits and our obligations to the public. I think that over the whole of the last twenty or thirty years we have become something in the nature of the old family solicitor. We are consulted by our clients on a good many things. They do entrust to us a lot of private information and knowledge, full knowing that they can respect our integrity and our way of dealing with their problems.

I think that if we consider the legal profession as such it would be difficult to give a definition of the term 'lawyer'. A good many matters that the lawyers do are done by other people, and even a conveyance can be done by a private individual if he knows how to do it. I think that if we define accountancy in that sense we shall never finish. The practice of accountancy should definitely be regulated in the public interest. I think, Mr President, that you have pointed out in your own figures that 92 per cent of the businesses of this country earned less than £5,000 a year. We are concerned primarily with those businesses. At the top end of the scale the directors of these companies have a choice between members of one or more of the various bodies, and they really do not interest us. It is this 92 per cent that is of interest to the Government and of interest to accountants generally. I think that it is those people for whom we have to cater. I think that control by function was suggested. I do not think that that is sufficient. We have a body of established practising accountants throughout this country. I take it that the Committee have considered this very thoroughly, but what I want to say is that a more direct approach should be made by our own Committee to this problem. We have co-operated with the other bodies on this matter, and apparently we do not get anywhere with this. I suggest that our own sub-committee take the matter up further with the Board of Trade, or with the Government departments concerned, with or without the support of the other accountancy bodies.

Mr F. A. Roberts, A.S.A.A. (London): With regard to the observations I am about to make it is almost unnecessary to say that I make them with the utmost respect, both to our Finance Committee and to our auditors. As usual, we have present a partner in our firm of legal advisers and I hope that through you, Mr President, perhaps he may be able to give some enlightenment on the point which I now make.

I am referring to the item appearing in the below-the-line section of our income and expenditure account, namely the provision for the anticipated expenditure in connexion with the International Congress in 1952. I may be quite wrong about this but I always understood that a statutory definition of a provision is really twofold. First, before there can be a provision there must be a liability, but that is not sufficient. Further, the liability must be one which cannot be estimated with substantial accuracy. With regard to the expenditure to which I am referring, first, I do not follow how there can be a liability, but if there be a liability I take it that it is capable of estimation with substantial accuracy. If that be so, according to my knowledge on the point I cannot see the grounds upon which this particular item is regarded as a provision although of course, as we all know, there is a great deal of confusion at the present day as to when to affix the label 'provision' and when to affix the label 'reserve'.

However, turning to the practical point, as a result of the term which has been applied to this particular item we get the strange position that the £1,500 is certainly not a charge in the accounts that are now before us. It will not be a charge in the year 1951 and it will not be a charge in the year 1952 because presumably it will be charged against the provision now set up. Therefore we shall have the anomalous result of £1,500 – which is a very large figure in proportion to the normal net income of our Society – not appearing in the body of any one income and expenditure account of the society.

I am further supported in making this point because, as I am sure you will all recall, when The Institute of Chartered Accountants published its recommendations as to the proper treatment of amounts set aside for the replacement of assets at enhanced costs, they expressly stated that a provision, if it be legally such, should always be a charge against profits or income and not an appropriation thereof.

Mr President, I hope that you will forgive me if I appear to be a little confused upon this point. If I may repeat myself, speaking personally – and I think that I can speak with some safety on behalf of at least some of my brother members – it would indeed be very interesting to hear the legal view coming through your good self, Mr President.

The President: Ladies and gentlemen, as I indicated at the outset we have a very full programme today and it may well be that on this part of our proceedings there is not much more to be said.

Mr Riddington of Leicester commented that in my figures of a small business I had paid no regard to estate duty. That is, of course, true but as I was applying my mind to 'germination and growth' it would surely have been a little inappropriate to bring in such a contrasted thing as death. I do agree, of course, that estate duty does impose grave burdens and sometimes crippling burdens, but estate duty in that aspect bears with any great weight only on a business that is already established where the capital has reached some magnitude. On the figures with which I was dealing, except in my third stage of development, the incidence of estate duty would not be of any real importance.

With regard to co-ordination the question was asked: 'Is accountancy a profession?' The real main problem has, of course, been to arrive at a definition which will be acceptable to all parties who are interested, including Government departments representing the interests of the public in this connexion. I feel that on that point there is not much more that I can say than appears in the report and in the printed copy of my speech, but one does agree that the interest of the public is a vital element in all that has to be done and I can assure you that the Co-ordination Committee has kept in the closest touch with the Board of Trade.

The suggestion was made of what I may call, in the popular phrase, unilateral action by the Society. In reply to that I would say that it is my personal conviction that nothing more harmful could happen to this profession than that in this matter we should not keep in step with the other bodies who are associated with us on this committee. That is my definite conviction and, surely, it would be disastrous if we broke away from that co-partnership.

Mr Roberts drew attention to the provision of £1,500 in respect of the proposed International Congress on Accounting in 1952. I hope that he will not think me disrespectful if I elect to reply without reference to the Society's legal adviser, although if Mr Gould has anything to say I shall be delighted if he will say it after I have finished.

Mr Roberts postulated that for the existence of a provision there must be a liability. There is. We have undertaken, jointly with other bodies, to sponsor an International Congress in 1952.

Then Mr Roberts suggested that the amount of the liability must be incapable of ascertainment, to which my reply is that it is. Can anyone say today that the Congress in 1952 will ever be held? Can anyone say today at what stage, if it is not to be held, we shall have to stop our preparations – or what will be the measure of the cost, not at the moment of stopping, but when the liabilities have run out? Does it follow that because we have made a provision the actual cost, when it is ascertained, either on the final foregoing of the idea of a Congress or, if we are fortunate, if it runs its full course, the full cost, will not appear in the appropriate place? Because we have created a provision, does that make it impossible for the cost to appear wherever in our wisdom we may decide or where we may be advised that the cost should appear? I do not see any difficulty at all.

Mr E. Downward, F.S.A.A. (Stoke-on-Trent): Mr President, before you put the resolution to the meeting, there is one point that intrigues me in the balance sheet and

that is the item in the balance sheet 'Stock of binders at cost'. Revolving through my mind there is suggested agricultural implements or the provision of some day nursery equipment. I would like to have what it is stated clearly.

THE PRESIDENT: Surely the reports of the Ashridge Course were circulated to all members. They were told, I believe, that they could buy a binder for the four or five sections. That I think answers your question. I am sorry if the agricultural implication was not excluded.

The resolution was put to the meeting and carried.

Ladies and gentlemen, we have now come to what I am sure you will agree with me is the most pleasant part of these rather formal proceedings, namely, the presentation of the Gold and Silver Medals awarded in respect of the Final examinations held in the year 1950. The Gold Medal goes to Mr Peter Scarfe of Norwich. (Applause.) The Silver Medal goes to Mr David Stanley Morris of London. (Applause.)

I am sure that you will all join with me in congratulating Mr Peter Scarfe and Mr David Stanley Morris for a most auspicious beginning to their professional career. I think that a few details may interest you.

Mr Peter Scarfe is 26. He is a bye-law candidate and he joined Messrs Larking & Larking of Norwich in 1941 at the age of 16. He has been with them ever since with the exception of a period spent in His Majesty's Forces of some three and a half years. He was exempted from the Society's Intermediate examination under the concessions to war service candidates. He passed the Final examination at the first attempt in November 1950, when he was awarded the First Certificate of Merit and the First Prize at that examination, and subsequently the Gold Medal for attaining the highest standard in both Final examinations in the year 1950.

Mr David Stanley Morris is 23 years of age. He entered into articles with Mr Leonard R. Treen, of Messrs Martin, Farlow & Co of London, in October 1944. He has been with them ever since with the exception of a period in His Majesty's Forces from April 1946 until April 1948, two years. He passed the Society's Intermediate examination at his first attempt and the Final examination in May 1950, again at the first attempt. On that occasion he was awarded the First Certificate of Merit and the First Prize. Now, as you know, he has been awarded the Silver Medal for the second highest standard in both examinations in 1950.

I think that perhaps you would like me to emphasize to these two gentlemen that our Society has two main functions. The first is to serve the public with skilful and competent advice on all the matters that are within that vaguely-defined territory known as accountancy. The second, and no less important, function is to promote the welfare of the profession, and in particular of the Society, and to help and assist our members to discharge their functions to the public; in particular to guide and assist younger members in the way that they should go. Therefore our Gold and Silver Medallists, having made such an auspicious start, have really, if they only realize it, shouldered a very heavy burden. They have set a standard to which they must live up during the rest of their professional careers. I am sure that you will join with me in giving them best wishes that they shall continue in the way in which they have started and I am certain that you will also agree with me in believing that they will do so. (Applause.)

The Gold Medal was then presented to Mr Peter Scarfe and the Silver Medal to Mr David Stanley Morris.

Ladies and gentlemen, we now come to the election of the retiring members of the Council, and I will call upon Mr Wilson Bartlett to deal with this item.

MR R. WILSON BARTLETT, D.L., F.S.A.A. (Newport, Mon): Mr President, ladies and gentlemen, I have very much pleasure in proposing the name of Mr John Ainsworth of Liverpool, one of the retiring members of the Council, and I beg to propose his name for re-election. I understand, Mr President, that all these names have to be taken separately.

THE PRESIDENT: Mr Wilson Bartlett, if the meeting will agree to the course being adopted, we can take all th names together.

MR WILSON BARTLETT: That is up to you, Mr President I was told that I had to take them separately.

THE PRESIDENT: Ladies and gentlemen, will you agree t take all these names *en bloc*?

MR WILSON BARTLETT: There are ten of them.

THE PRESIDENT: There are ten of them and their name are printed. The point is that if you will agree to deal witl this matter in that way and there is no dissentient, perhap the matter can be dealt with in that way, but it must b unanimous in dealing with them *en bloc*. Do you agree tha the names shall be dealt with *en bloc*? (Agreed.) Is there an dissentient? (No one indicated dissent.) Thank you ver much. Then we can deal with them all together.

MR WILSON BARTLETT: Mr President, that saves me a lo of trouble. The ten names that I have to propose for electio are as follows: Mr John Ainsworth of Liverpool, Si Frederick Alban of Cardiff, ex-President of the Society Mr Albert Stuart Allen (the present President) of London Mr Charles Percival Barrowcliff (our Vice-President) o Middlesbrough, Mr Robert Bell of Belfast, Mr Henr Brown (quite a new member of the Council) of Rochester Mr Cecil Aubrey Gist Howson of London, Mr Frederic Arthur Prior of Nottingham, Mr Henry Smith o Manchester, and Mr Joseph Stephenson of Peterborough All these gentlemen have done very good work in the pas on behalf of the Council and I have the greatest possibl pleasure in submitting their names to you for re-election.

MR A. E. MIDDLETON, L.C.C., F.S.A.A. (London): M President, ladies and gentlemen, I have much pleasure i seconding the motion which Mr Wilson Bartlett has moved I hesitate to think what the members of the Society woul do if some of these gentlemen did not serve on the Council I do not want to create invidious distinctions, but what woul happen to the Society if, for example, Sir Frederick Alba and our present President and, if I may anticipate something, our President to be, were not elected by you thi afternoon. I have therefore much pleasure in seconding the motion which Mr Wilson Bartlett has moved.

THE PRESIDENT: Ladies and gentlemen, you have hear the motion which has been proposed and seconded, whic I will now put to the meeting.

The motion was put to the meeting and carried.

Thank you very much. Now we come to the matter whic is dealt with in the notice convening the extraordinar general meeting which will be held later. I will ask th Vice-President, Mr Percival Barrowcliff, to deal with thi item and here each name will be dealt with separately.

MR C. PERCIVAL BARROWCLIFF, F.S.A.A. (Vice-President) Mr President, ladies and gentlemen, I should like to start b saying a few words and then to submit the names separately I am quite sure that there is no objection to the individuals' names on this occasion, especially when I pu forward the name of Mr E. Cassleton Elliott, who is th Chairman of the Finance Committee, the keeper of th purse, and I can assure you that he does that extraordinaril well. Then there is Mr Witty, who has rendered immens service – and I mean the word 'immense' – not only as past President but as Chairman of our Committee dealing with co-ordination and so forth. He has rendered servic beyond their calculation. Then we have two names, thos of Mr James Paterson and Mr P. G. S. Ritchie, who ar elected by our Scottish branch. Therefore really we hav not a great deal to do with that, but under the Companie Act we are called upon to say that it is all right because o their age. Under the agreement with the Scottish branc they are entitled to elect their two members. That account for Mr Paterson and Mr Ritchie. Then I am left only wit the names of Mr Starkie and Mr Walkey. As Mr Starkie is Yorkshireman I do not need to say anything more. I hop that will commend his name to you. He is a valued membe of the Council. Then there is Mr Walkey from Ireland, an that accounts for the sixth member under this particula clause. I have pleasure in moving first of all the re-electio of Mr E. Cassleton Elliott under the special provisions.

Mr Bertram Nelson, F.S.A.A. (Liverpool): I should like to have the pleasure of seconding the re-election of Mr Cassleton Elliott.

The resolution was put to the meeting and carried.

Mr Barrowcliff: I beg to propose that Mr James Paterson be re-elected to hold office under the special provisions.

Mr Nelson: I beg to second that.

The resolution was put to the meeting and carried.

Mr Barrowcliff: I beg to propose that Mr P. G. S. Ritchie be re-elected under the special provisions.

Mr Nelson: I second that.

The resolution was put to the meeting and carried.

Mr Barrowcliff: I beg to propose that Mr R. E. Starkie be re-elected under the special provisions.

Mr Nelson: I second that.

The resolution was put to the meeting and carried.

Mr Barrowcliff: I beg to propose that Mr A. H. Walkey be re-elected to head office under the special provision.

Mr Nelson: I second that.

The resolution was put to the meeting and carried.

Mr Barrowcliff: Then, last but not least, there is Mr Richard A. Witty. I beg to propose that he be re-elected to hold office under the special provision.

Mr Nelson: I second that.

The resolution was put to the meeting and carried.

The President: We now come to the election of a new member of the Council, to fill the vacancy created by the death of Mr Alfred Harman Edwards of Dorchester.

Mr E. J. Waldron, F.S.A.A. (Southampton): I have very much pleasure in proposing Mr Hedley John Bicker, Fellow, of Bournemouth, who was appointed to the Council to fill an occasional vacancy in accordance with the provisions of article 48 and who accordingly retires at this meeting but who, being eligible, offers himself for re-election, to be re-elected as a member of the Council. As President of the South of England District Society I have known Mr Bicker for many years. He was my immediate predecessor and in that capacity he served our South of England Society very well. I am sure, Mr President, that he will serve you well on the Council and I have very much pleasure in making this proposition.

Mr C. R. Foot, A.S.A.A. (Southampton): Mr President, ladies and gentlemen, I should like to second the resolution. Mr Bicker has been a great friend to the South of England Society and he has supported us very well.

The President: The proposition has been moved and seconded and I will now put it to the meeting.

The resolution was put to the meeting and carried.

Mr H. J. Bicker, F.S.A.A. (Bournemouth): Mr President, Mr Waldron, Mr Foot, ladies and gentlemen, I thank you most sincerely for electing me to the Council. You may rely upon me to do my utmost to occupy the office to the best of my ability.

The President: The one remaining item on the agenda is the appointment and remuneration of the auditors.

Mr J. Stephenson, O.B.E., F.S.A.A. (Peterborough): Mr President, ladies and gentlemen, it gives me great pleasure to propose that Mr James Atkinson Allen, incorporated accountant, of London, who was appointed by the Council to fill a casual vacancy, in accordance with the provisions of article 89, and who accordingly retires at this meeting and who, being eligible, offers himself for re-election, be re-elected an auditor of the Society and that the fee of Mr James Atkinson Allen, incorporated accountant, be fixed at one hundred guineas for the ensuing year. Then I beg to propose that the fee of Mr Stanley Wallis, incorporated accountant, who is willing to continue in office as auditor for a further year, be fixed at one hundred guineas for the year, travelling expenses to be paid in addition. I have pleasure in proposing that resolution.

Mr F. Dean, F.S.A.A. (Bradford): I have much pleasure in seconding it.

The President: The proposition has been moved and seconded and I will now put it to the meeting.

The resolution was put to the meeting and carried.

Sir Thomas Keens: Colleagues, ladies and gentlemen, although the formal election of a new President has not yet taken place because, according to our constitution, it has to take place at a meeting of the Council which follows immediately after this meeting, we all know that it is a fact that the gentleman who now occupies the chair, we are at the moment addressing for the last time as our President. I submit to you a resolution:

> 'That the members of the Society of Incorporated Accountants and Auditors in general meeting assembled tender to Mr A. Stuart Allen, Fellow, their sincere and cordial thanks for his services as President of the Society from 1949 to 1951. They record their deep appreciation of his leadership and the able manner in which he has discharged his manifold duties. They rejoice that the culmination of his presidency coincides with the completion of the restoration of Incorporated Accountants' Hall and its reoccupation by the Society.'

This is a day of many meetings. There are two more meetings yet to come and therefore, although I could enlarge upon the terms of this resolution at some length, I will not do so. I venture to believe, however, that your attendance here today shows that you follow the proceedings of your Society with interest. Doubtless you are likely at times to bestow some criticism on matters which do not entirely accord with the views which you may hold, in which case if you do you will know that the presidency of this Society is almost a whole-time job. For the past two years the office has been held by Mr Stuart Allen, who has made in his capacity as President very important pronouncements on finance and economics but we know also in the Council that beyond those public presentations and speaking all over the United Kingdom he has followed the business of the Society inside the Council in very troublous years fraught with difficulty in almost every direction. He has also done his best to lead his colleagues in the way that they should go. We, speaking generally with certain exceptions, have been only too happy to follow in the lead so given. Nothing that I can say further is necessary to make you feel that you can enthusiastically support the vote of thanks which I have the greatest possible measure of satisfaction in proposing. The resolution requires no seconder. Those who are of that opinion will please show.

The motion was put to the meeting and carried unanimously by acclamation. The President made a suitable acknowledgment and declared the meeting closed.

EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting was held at The Chartered Auctioneers and Estate Agents' Institute, 29 Lincoln's Inn Fields, London, WC2, on Wednesday, May 23rd, 1951, at the conclusion of the annual general meeting, Mr A. Stuart Allen, President of the Society, was in the chair.

The Secretary (Mr I. A. F. Craig) read the notice convening the meeting, which contained the following resolution:

> 'That the Articles of Association of the Society be amended by inserting after Article 51 the following new Article to be known as Article 51A:
>
> "51A. By virtue of subsection (7) of Section 185 of the Companies Act, 1948, the provisions of subsections (1) to (6) of that Section, relating to the retirement of Directors under age limit, shall not apply to Members of the Council of the Society." '

The President: Ladies and gentlemen, it is my duty and my privilege to propose this resolution. I do not think that you will wish me to repeat its terms. I would like to remind you that last year when this subject was under discussion at the annual general meeting I did speak at some length on the services rendered by the senior members of the Council.

I have referred quite briefly to those continuing services in my printed speech which is before you today. I said: 'The main credit for the excellent spirit which pervades the organization must go to the senior members of the Council.' You do not get a good spirit in any organization merely by force of personality. You get a good spirit by example, and not by precept, and therefore, on the general question, I want to add nothing to what I have already said.

How and why does this resolution become necessary? It becomes necessary because the Society is incorporated under the Companies Act, and for that reason alone. In that connexion the Society is in a minority. Most professional bodies are incorporated by charter, and so it is only almost the accident of birth that makes necessary this resolution.

I will propose the resolution with just one further word of tribute and of gratitude to the senior members of the Council who come within the terms of the resolution, for the work that they are still doing, and without which it would be extremely difficult for the Society to continue the excellent progress that it has made and is making. I will now call upon the Vice-President to second the resolution.

THE VICE-PRESIDENT (Mr C. Percival Barrowcliff, F.S.A.A.): Mr President, ladies and gentlemen, I have much pleasure in seconding the resolution, and I commend it to you because I do really think that it is purely an accident that we are in this position. I think that it is very unfortunate that members of the Council should be embarrassed, singled out and distinguished from those of other professional bodies. We are not, of course, a trading institution. We are a professional body, and I am perfectly certain that the Companies Act was passed to deal with trading institutions. Therefore, we feel that it is appropriate that we should remove the disparity which applies to us by way of exception, and we do commend this resolution to you on those grounds.

THE PRESIDENT: The matter is now open for discussion.

Mr H. S. PARKIN, F.S.A.A. (Newcastle upon Tyne): Mr President, I have listened with great interest to what you have said on this subject. It is a matter of some regret to me that one of my last actions before resigning the presidency of my district society will be on behalf of that district society to oppose this resolution as it is put forward this afternoon. I am very sorry to do this, but until your recent remarks we had been given no explanation whatever as to why this resolution had been thought necessary. Therefore we can only come to the reluctant conclusion that it is probably the result of something that happened here last year. We appreciate what both you and the Vice-President have said with regard to experience, advice and guidance of these old members, which we do not dispute for a moment, but, sir, is not that answered by the procedure which took place this afternoon at the annual general meeting, without giving the Council unlimited powers and taking away from us the power of making alterations if we so desire?

Mr E. EMMERSON, F.S.A.A. (Leeds): I am not speaking officially on behalf of the district society, but I am merely stating my own views. I wish to support the resolution that has been proposed by you, Mr President, and seconded by the Vice-President. I am in industry and I am a director. I have not yet reached the age of 70, and therefore I am not personally affected by this provision in the Companies Act My feeling is that it is purely a matter of suitability anc ability, and that age is nothing whatever to do with it. Therefore I have much pleasure in speaking in support of you resolution, as one of the young members of this profession As a young member, I would say that I have always founc that the older members of the Council have placed their experience and ability at the disposal of we younger members We appreciate that very much, and therefore I support th resolution.

Mr C. R. RIDDINGTON, F.S.A.A. (Leicester): I should lik to support the last speaker. It is a question of the actua quality of the candidate for the Council that counts in th long run, but I do feel that the executive work of th Council should be done, as far as possible, by some of th younger members. I suggest to the Council, if I ma respectfully do so, that the older members should not b eligible at all for re-election, but should be co-opted at certain age for permanent election to the Council, givin the chance to the younger members of appointment. Th advice of the older members is definitely appreciated, anc we could not do without it. I do sincerely suggest that w should have some means of getting a permanent membershi of the Council for the long service that these gentlemen hav given to the Society, which would not necessitate the continual renewal of their election on this Council.

Mr J. E. SPOORS, F.S.A.A. (Newcastle upon Tyne) also spoke.

THE PRESIDENT: Ladies and gentlemen, I will endeavou to deal quite briefly with the comments that have been made

With regard to the remarks made by Mr Parkin of Newcastle, the Council does very fully realise the advantage o having young members on the Council.

The suggestion of having some advisory body, a seconc chamber, has been canvassed more than once, but in tha connexion we again come up against the difficulty that th Society is incorporated under the Companies Act, and w have the responsibility of directors.

There is another thing which I do want you to keep i mind in this connexion. It is very understandable that th Companies Act should prevent any vested interest in a office of profit. All I can say is that service on the Counci is an office of loss, and certainly not an office of profit Therefore, what is appropriate to prevent an undue clingin to an office of profit, is wholly unappropriate to continued service in a wholly unremunerative function.

I will now put the resolution formally to the meeting

The resolution was then put to the meeting and declare carried by an overwhelming majority.

Mr SPOORS: Mr President, if I may deal with the las item on the agenda I beg to move a vote of thanks to you fo presiding at this meeting.

The vote of thanks was carried by acclamation.

THE PRESIDENT: Mr Spoors, ladies and gentlemen, than you very much. I think that opposition, so far as it i provocative of thought and consideration, is very desirable I can assure you, on behalf of the Council, that we esteen it and welcome it.

The proceedings of the extraordinary general meetin then terminated.

INCORPORATED ACCOUNTANTS' BENEVOLENT FUND

ANNUAL GENERAL MEETING

The annual general meeting of subscribers and donors of the Incorporated Accountants' Benevolent Fund was held at The Chartered Auctioneers and Estate Agents' Institute, 29 Lincoln's Inn Fields, London, WC2, on Wednesday, May 23rd, 1951. Sir Thomas Keens, D.L., F.S.A.A., President of the Fund, was in the chair.

THE CHAIRMAN: Ladies and gentlemen, will you take a read the notice convening the meeting? (Agreed.) Do yo agree that the minutes of the annual general meeting hel on May 24th, 1950, be taken as read and confirmed (Agreed.) The legal adviser informs me that if you agree w can also take as read the auditor's report. (Agreed.)

PRESIDENTIAL ADDRESS

Ladies and gentlemen, you have already attended two meetings this afternoon and I will not detain you long. It is with deep sorrow that I refer to the great loss suffered by the Fund through the death of Mr Henry J. Burgess and Mr Arthur J. Hughes. I wish to pay a high tribute to the work of those two members. Mr Burgess was a Vice-President of the Fund and was formerly Chairman of the Trustees for a period of twelve years and Mr Hughes was the Honorary Auditor of the Fund.

The revenue of the Fund at £3,188 shows a decrease of £135 as compared with that for 1949, which is largely due to the reduction in the interest received on the investments now held. However, the total income, including that of a capital nature, increased by about 11 per cent. In this connexion I wish to refer to the three legacies that are mentioned in the report[1]. I extend my warm thanks to members both at home and overseas who have so kindly supported the Fund during 1950. I am also deeply grateful to local honorary secretaries and other members who have sought to extend interest in the Fund and who have given valuable help to the trustees in other ways.

Particulars are given in the report about the grants made by the trustees during the past year. It will be observed that almost one-third of these grants have been given to help towards the support and education of children. We have been very much touched by the thoughtful generosity of the New Zealand Society of Accountants, who have again sent food parcels for our beneficiaries. I need hardly say how welcome were these gifts and I record my heartfelt gratitude to our friends in New Zealand for their kindness.

In conclusion, I express your thanks and mine to Mr Percy Toothill, the Chairman, and his co-trustees for their sympathetic and wise administration of the Fund. We are fortunate that a useful accumulated fund has been built up in the past but it is upon the regular contributions from year to year that the trustees mainly rely. Once again I appeal for a renewal of your subscriptions and your interest. I now beg to move 'That the report and accounts for the year ended December 31st, 1950, be adopted', and I will ask Mr Percy Toothill to second the proposal.

Mr PERCY TOOTHILL, F.S.A.A.: Ladies and gentlemen, it gives me very great pleasure to second the proposition made by Sir Thomas Keens. I am speaking on behalf of my co-trustees when I say that we are indeed very grateful to you. It gave us the utmost pleasure to be able to increase the grants that were made during the past year owing to the general rise in the cost of living and one thing and another. It is owing to your subscriptions that we are able to do this. We are very grateful indeed to you for all you have done for us and we hope you will continue. Thank you very much indeed.

DISCUSSION

THE CHAIRMAN: Are there any questions?

Mr J. STEPHENSON, O.B.E., F.S.A.A. (Peterborough): I would like to ask whether you have any difficulty in meeting all the requests or demands.

THE CHAIRMAN: I shall have to ask Mr Toothill to give you the details.

Mr TOOTHILL: We have had no difficulty. You have been very generous in your subscriptions. As I said, we have been able to increase the grants and it has been very gratifying to us to be able to do so.

Mr E. E. OSMOND, F.S.A.A. (Edgware): I want to ask a question. Mr Percy Toothill referred to grants. Are there any annuitants included in this item of grants or is there any particular reason for making grants and not paying annuities?

THE CHAIRMAN: There is nothing created which has a right of perpetuity.

The resolution was put to the meeting and carried.

[1] The report is reproduced in *The Accountant* dated May 19th, 1951, at page 493.

Mr J. W. RICHARDSON, F.S.A.A.: I beg to propose that Sir Thomas Keens be elected President of the Fund for the ensuing year. Sir Thomas Keens has been President of the Fund since 1943 and he has always given it his time, service and thought. I feel that in proposing this resolution I should express your thanks to him for the very eminent services which he has rendered to us and to the members of this Fund. I therefore have much pleasure in proposing that Sir Thomas Keens be re-elected President of the Incorporated Accountants' Benevolent Fund and I will ask Mr Gill to second that.

Mr W. P. GILL, F.S.A.A.: It gives me great pleasure to second the re-election of Sir Thomas Keens as President of the Incorporated Accountants' Benevolent Fund. It is said that what we give we have. If that is so, Sir Thomas Keens must be a very wealthy man in view of the amount of time that he has given to the work of the Benevolent Fund in past years.

Mr RICHARDSON: I will put the resolution to the meeting.

The resolution was put to the meeting and carried.

The chairman made a suitable acknowledgment.

Mr W. T. MANNING, M.C., F.S.A.A.: Mr Chairman, ladies and gentlemen, I have the pleasure of moving that the following gentlemen be re-elected as Trustees of the Fund: Mr Percy Toothill, Mr R. M. Branson, Mr Walter Holman, Mr R. Wilson Bartlett and Mr E. Cassleton Elliott. I couple with the motion a very cordial vote of thanks to these gentlemen for their services to the Fund over a number of years.

Mr K. R. STANLEY, F.S.A.A.: Mr Chairman, ladies and gentlemen, I have very much pleasure in seconding that proposition.

THE CHAIRMAN: Ladies and gentlemen, you have heard the resolution which I will now put to the meeting.

The resolution was put to the meeting and declared carried unanimously.

Mr C. YATES LLOYD, F.S.A.A.: Mr Chairman, ladies and gentlemen, it gives me very great pleasure indeed to propose the re-election as Vice-President of Mr Alexander Hannah, Mr William Strachan, Mr W. McIntosh Whyte, Mr Arthur Collins, Mr W. Southwood Smith, Mr A. A. Garrett and Sir Frederick Alban. They are all names that we know well. They have all done good work on behalf of the Benevolent Fund and the Society. I am sure that you would wish them all to be re-elected as Vice-Presidents and therefore I have much pleasure in proposing the resolution.

Mr R. A. HAMILTON, F.S.A.A.: Mr Chairman, ladies and gentlemen, I have very much pleasure in seconding the resolution.

The resolution was put to the meeting and declared carried unanimously.

We now come to the election of honorary Auditor.

Mr J. D. R. JONES, F.S.A.A.: Mr Chairman, ladies and gentlemen, it is my pleasant duty to propose the election of Mr James Atkinson Allen as honorary Auditor of the Fund. I couple with the motion a cordial expression of our thanks to him for his services during the past period.

Mr R. J. NEELY, A.S.A.A.: Mr Chairman, ladies and gentlemen, it gives me very great pleasure to second the motion that Mr James Atkinson Allen be elected honorary Auditor of the Fund.

THE CHAIRMAN: The resolution has been proposed and seconded and I will now put it to the meeting.

The resolution was put to the meeting and carried.

Mr L. BAILEY, F.S.A.A.: Ladies and gentlemen, I have much pleasure in proposing that the most cordial thanks of this meeting be accorded to Sir Thomas Keens for presiding this afternoon with his usual courtesy and efficiency. It is gratifying to us all to know that he continues to give such devoted service to the Society and to this Fund. I do not think that this motion requires any seconder and, therefore, I will put it at once to the meeting.

The motion was put to the meeting and carried with acclamation.

The chairman made a suitable acknowledgment and the meeting was closed.

NOTES AND NOTICES

Personal

MESSRS ARTHUR HASLAM & Co, Accountants, announce that the practice formerly carried on by the late Mr ARTHUR HASLAM, F.C.A., has been acquired by Mr H. P. DUFFIELD. He will be continuing the practice at Kingscourt, Bridge Street, Walsall, in the name of ARTHUR HASLAM & Co.

Professional Note

Mr Dennis H. Morgan, M.B.E., F.C.A., has been appointed Deputy Controller, Board of Trade, Wales. Mr Morgan was President of the South Wales and Monmouthshire Society of Chartered Accountants in 1950.

Double Taxation Relief: Burma

The double taxation agreement with Burma which was signed on March 13th, 1950, and a supplementary protocol signed on April 4th, 1951, were published on May 24th, 1951, as a schedule to a draft Order in Council.

Birmingham and District Society of Chartered Accountants

TAXATION AND RESEARCH COMMITTEE

The hundredth meeting of the Taxation and Research Committee of the Birmingham and District Society of Chartered Accountants was held on May 22nd, 1951. The meeting was followed by an informal dinner at which the committee were joined by Mr W. G. Campbell, B.A., F.C.A., Chairman of the Institute's Taxation and Research Committee, and Mr W. S. Carrington, F.C.A., a member of the Council of the Institute, as well as by Mr E. G. Davis, F.C.A., and Mr H. James Gittoes, F.C.A., President and Secretary respectively of the Birmingham Society, and by twelve of the fourteen former members of the committee.

The Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants

The annual meeting of the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants was held at the White House Hotel, Hull, on May 21st, under the chairmanship of the President of the Society, Mr G. B. Robins, F.C.A., supported by the Vice-President, Col. N. B. Hart, O.B.E., F.C.A. The report and accounts for the year 1950 were adopted. The President and Vice-President were unanimously re-elected for a further year of office, and officers were re-appointed as follows: *Hon. Treasurer*, Mr H. F. Strachan, F.C.A.; *Hon. Secretary*, Mr A. S. Freeth Oliver, F.C.A.; *Hon. Librarians*, Mr F. S. Mowforth, F.C.A. (Hull) and Mr A. G. Pearson, F.C.A. (Grimsby); *Hon. Auditors*, Mr A. E. Devin, F.C.A., and Mr T. G. Burton, F.C.A. Past Presidents who remain *ex officio* members of the committee are Messrs A. G. Pearson, F.C.A., Charles M. Strachan, O.B.E., F.C.A., and E. C. Mallett, F.C.A. Mr Charles M. Strachan remains the Society's representative on the Council of the Institute.

A sympathetic reference was made to the death of Mr R. F. Helm, F.C.A., senior partner of the firm of Hodgson, Harris & Co, who was admitted an associate of the Institute in 1893, and whose loss will be deeply felt in many spheres of activity.

The President was able to look back on a progressive year and referred particularly to the activities of the Grimsby and North Lincolnshire Group under the presidency of Mr A. G. Pearson, F.C.A., assisted by Mr H. J. Cole, F.C.A., as vice-president, and a keen and efficient group committee.

NEW SOUTH LINCOLNSHIRE GROUP

A meeting of members of the Society and other chartered accountants in the area was held on May 23rd under the auspices of the Society at the Guildhall, Lincoln, with a view of exploring the possibility of founding a group to serve Lincoln and central and south Lincolnshire. The meeting was well attended, with the president of the Society in the chair, and arrived at a unanimous decision to form a group and to convene a further meeting locally to examine the details. The chairman expressed his gratitude to Mr J. Camamile, F.C.A., for undertaking the local arrangements, and to other Lincoln members for their assistance and support.

GOLF

The Society's annual golf competition for the 'J. J. Campbell' Cup was played at Woodhall Spa Golf Course during the afternoon of May 23rd. The competitors were:

Messrs M. G. Bain, R. A. Barber, A. A. Beardsall, J. Camamile, H. J. Cole, D. C. S. Downs, J. B. Harrison, J. R. Kinnis, R. H. R. Marshall, G. R. Smith, J. M. Smith, P. G. Stone and F. H. Turner. The trophy was secured by Mr H. J. Cole (Grimsby) with a net score of 71, the runner-up being Mr J. M. Smith (Grimsby) with a net score of 76.

Afterwards players and spectators took tea at the clubhouse and the cup was formally presented by the President.

'Garage Accounting – II'

We regret that the concluding part of the article on 'Garage Accounting' by Mr E. V. Harber, F.I.A.C., the first part of which appeared in our last issue, has been unavoidably held over; we hope to include it in our next issue.

London Chamber of Commerce

FESTIVAL OF BRITAIN ARCADE

A Festival of Britain Arcade – the festival exhibit of the London Chamber of Commerce – was opened recently in London. Adjoining the Chamber's building at 68–70 Queen Street, EC4, the main exhibit consists of two illuminated panels, one depicting, in symbolic form, the interdependence of the various businesses carried on in the City; and the other a pictorial map of the City showing where festival exhibits can be seen and other points of special interest.

There are diagrams illustrating the Chamber's work and organization, and a panel setting out a list of its affiliated associations. A panoramic photograph of the river controlled by the Port of London Authority from Westminster to Tilbury with its network of wharves, docks, etc., loaned by the Authority, is also on view.

An invitation to visit the Arcade is extended to readers, who should find the exhibit of outstanding interest.

The Institute of Book-keepers

The report of the Council and accounts for the year ended December 31st, 1950, were presented and adopted at the thirty-fifth annual general meeting of the Institute of Book-keepers, held on May 24th at the Cripplegate Institute, London, with Mr L. Frankland, A.C.A., A.C.W.A., A.M.I.I.A., F.B.I., chairman of the Council, in the chair.

The report of the Council shows that alongside the increased activity of the Institute over the year, there has been a steady increase in membership, which now numbers 1,184. The growth of the district societies, too, has continued.

The report states that the number of student members has grown during the year, and that membership at December 31st, 1950, totalled 420. In the examinations – with subject entries of 3,581 (an increase of 25 per cent on 1949) – the percentage of passes in 1950 dropped to 55·5 from 60·6 in 1949 and 61·3 in 1948.

The accounts show that total income amounted to £2,857 and that expenditure was £2,673, leaving an excess of income for the year of £184.

Recent Publications

A COURSE IN APPLIED ECONOMICS, by E. H. Phelps Brown, M.B.E., M.A. viii+434 pp. 9×5½. 25s net. Sir Isaac Pitman & Sons Ltd, London.

THE LEGAL ASPECTS OF BUSINESS, by H. R. Light, B.SC. (LOND.), F.C.I.S. xix+316 pp. 9×5½. 15s net. Sir Isaac Pitman & Sons Ltd, London.

BENJAMIN ON THE LAW OF SALE, Eighth Edition, by The Hon. Sir Donald Leslie Finnemore and Arthur E. James. xlix+1091 pp. 10×6½. £5 10s net. Sweet & Maxwell Ltd, London.

Our Contemporaries

THE COST ACCOUNTANT. (May.) 'Trends in Organization and Accounting in North America', by F. Simmonds, F.C.W.A., A.M.I.I.A.

THE ACCOUNTANTS' MAGAZINE. (May.) 'Accounting Statements – A General Formula', by Thomas Lister, C.A.

THE NEW YORK CERTIFIED PUBLIC ACCOUNTANT. (New York.) (April.) 'Airport Accounting for the Port of New York Authority', by Karl G. Clement.

THE CANADIAN CHARTERED ACCOUNTANT. (Toronto.) (April.) 'The Teaching in Canada of Income Tax Theory and Practice', by Kenneth F. Byrd, M.A., B.SC.(ECON.), A.C.A.

THE ACCOUNTANTS' JOURNAL. (Wellington.) (February.) 'Suggested Changes in Accounting Education', by J. S. Stacey, M.COM., A.R.A.N.Z.

THE CHARTERED ACCOUNTANT IN AUSTRALIA. (Sydney.) (March.) 'The Valuation of Shares in Non-Public Companies', prepared by a 'study group' of the South Australian Branch of The Institute of Chartered Accountants in Australia.

Other Publications Received

LA GAZETTE FISCALE COMMERCIALE ET INDUSTRIELLE. (Alexandria.) (January–February.)
ENGINEERING INDUSTRIES BULLETIN. (May.)
THE BUILDING SOCIETIES' GAZETTE. (May.)
THE ACCOUNTANTS' DIGEST. (March.) (Burlington, Vermont.)
MIDLAND BANK REVIEW. (May.)
THE ACCOUNTING REVIEW. (Menasha, Wisconsin.) (April.)
HANDELSVIDENSKABELIGT TIDSSKRIFT. (Copenhagen.)
THE INDIAN CHARTERED ACCOUNTANT. (New Delhi.) (March.)
JOURNAL OF THE ROYAL SOCIETY OF ARTS. (May.)
LOCAL GOVERNMENT FINANCE. (May.)
REVISION OG REGNSKABSVAESEN. (Copenhagen.) (April.)
BARCLAYS BANK REVIEW. (May.)

Our Weekly Problem

NO. 46: PREPARING THE BALANCE SHEET

Charles Sidate was preparing the balance sheet. Every item was in round thousands of pounds. He made the surprising discovery that the figures for fixed assets and the debtors were the same and consisted of the same two digits, whereas stock and investments were also the same but consisted of the same two digits the other way round. Also the goodwill, which was over £1,000, was one of those digits, and the balance sheet total was made up of one of the same digits repeated three times.

What were the two digits?

The answer will be published next week.

ANSWER TO NO. 45: ALTERNATIVE ROUTES

Using the fact that $3^2 + 4^2 = 5^2$ it will be seen that the sides of the triangle must be:

Breasy Common	440 yards
Easy Lane	330 „
Greasy Gate	550 „

The club was 110 yards from the junction.

OFFICIAL NOTICES

Rhodesian Iron and Steel Commission

VACANCY: INTERNAL AUDITOR

Applications are invited for appointment as INTERNAL AUDITOR to the Commission's Head Office, Que Que, Southern Rhodesia.

Applicants must be members of a recognized body of accountants, and must have had several years' professional auditing experience, preferably also experience in an industrial undertaking.

Commencing salary £960 per annum, rising to £1,110 per annum, plus cost-of-living allowance at present rate of £2 11*s* 4*d* per mensem, plus £5 8*s* 0*d* per mensem marriage allowance and children's allowances where applicable.

The successful applicant will be required to join the Commission's pension scheme and medical benefit society, and will be domiciled in Que Que, Southern Rhodesia, but will be required to undertake visits to other parts of the Colony in the course of his duties.

Fuller particulars of service will be sent to a short list of applicants.

Applications, in the first instance, should be addressed to the Secretary, P. O. Redcliff, Que Que, Southern Rhodesia, giving particulars as required above.

Hudson's Bay Company

Hudson's Bay Company invite applications from CHARTERED ACCOUNTANTS for the following appointments:

(*a*) Two for Canada, age 25–32 or thereabouts, preferably single, to give greater freedom during testing period in Canada. Commencing salary about \$4,000–\$5,000 per annum.

(*b*) One for London, age 30–40. Commencing salary about £750–£1,000 per annum.

It is essential that applicants should have a broad outlook and be more interested in the administration of large-scale commercial enterprise than in purely routine counting-house procedures. Previous commercial experience would be helpful and, although not essential, may affect commencing salary. – Full particulars to Accountant, Beaver House, Great Trinity Lane, London, EC4.

South Western Gas Board

MACHINE ACCOUNTANT

Applications are invited for the appointment of a MACHINE ACCOUNTANT tenable in the Chief Accountant's Department in Bath in the first instance. The main duties attaching to the appointment will be connected with the installation and operation of 'Powers' forty-column punched-card equipment as applied to the Board's financial and costing functions and it is essential, therefore, that candidates should have a wide experience of punched-card accounting in one or more of the public utility industries, preferably including the gas industry. Possession of a recognized accountancy qualification, though not essential, would be an advantage.

The salary for the appointment will be in the range from £800 to £1,000 per annum, and the commencing salary will be determined in accordance with the qualifications and experience of the person appointed.

The successful candidate will be required to pass a medical examination and the appointment will be subject to the provisions of such superannuation scheme as may be adopted by the Board.

Applications, stating age, qualifications, experience, present appointment and salary, together with the names of two referees, should be sent to the undersigned to be received not later than Wednesday, June 20th, 1951.

W. N. CURTIS,
Secretary and Solicitor.

9A Quiet Street,
Bath.
May 30th, 1951.

Merseyside and North Wales Electricity Board

Applications are invited for the appointment of COST ACCOUNTANT in the Board's No. 3 Sub-Area at Chester, at a salary within the range £705–£795 per annum (N.J.C. Grade 7).

Applicants must have a sound knowledge of cost accounting and have passed the Final examination of a recognized accountancy body. Experience in the electricity supply industry, although not essential, will be an additional qualification.

The appointment is superannuable and may be subject to a medical examination.

Applications should be made on a form obtainable by written request from the Manager, No. 3 Sub-Area, Merseyside and North Wales Electricity Board, Electricity House, Newgate Street, Chester, and must be returned not later than June 8th, 1951.

JAMES RANKIN,
Secretary.

ACCOUNTANT/SECRETARY required by the COLONIAL DEVELOPMENT CORPORATION for permanent appointment, for company to be formed in West Africa, to manufacture jute and cotton goods. Initial period in United Kingdom about one year, to plan secretarial and accounts branch of company, after which to establish office abroad. Should have working knowledge of cost accounts, with special reference to textile industries. Age 30–45; salary £1,200–£1,500 p.a. in United Kingdom, plus overseas allowance. House and hard furnishings provided at charge of 5 per cent emoluments. Outfit allowance; generous United Kingdom leave; superannuation. Nominal tour 18 months. – Write, giving details of age, qualifications and experience, to Personnel Manager, 19 Curzon Street, W1, quoting Serial No. 3, by June 12th, 1951.

ACCOUNTANCY ASSISTANT. – The Gas Council invite applications from qualified Accountants for the appointment of ACCOUNTANCY ASSISTANT in the salary range £650 per annum rising by annual increments of £25 to £750 per annum. The commencing salary within the range will be dependent on the qualifications and experience of the successful candidate.

The appointment will be subject to such superannuation regulations as the Council may, in due course, adopt and the successful candidate will be required to pass a medical examination.

Applications giving full details of age, qualifications and experience, should reach the Secretary, The Gas Council, 1 Grosvenor Place, London, SW1, not later than fourteen days from the appearance of this advertisement.

The Raw Cotton Commission, Liverpool

APPOINTMENT OF DEPUTY CHIEF ACCOUNTANT

Applications are invited for the above position from QUALIFIED ACCOUNTANTS with practical experience in large-scale financial or commercial enterprises, in a senior capacity.

The Commission is the sole importer and distributor of raw cotton in the United Kingdom, and the successful applicant will be expected to show initiative in applying knowledge acquired under commercial conditions to the financial, budgetary and accounting problems of the Commission's business.

Applicants should be under 45 years of age.

The salary will be in the region of £1,500 per annum. Membership of the Commission's contributory pension scheme is compulsory.

Applications which will be treated confidentially, should give particulars of education, experience and age, and should be addressed to Head of Staff & Services Branch, Raw Cotton Commission, Cotton Exchange Buildings, Old Hall Street, Liverpool. Closing date June 6th, 1951.

The Accountant

ESTABLISHED 1874

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TWO ANNUAL REPORTS

EACH year about this time there blossom forth, as regularly as the magnolia and the lilac, the annual reports of the various accounting bodies. Those of The Institute of Chartered Accountants in England and Wales and The Society of Incorporated Accountants and Auditors have already been noticed in these columns. We now welcome the reports of The Association of Certified and Corporate Accountants and of The Institute of Cost and Works Accountants. The pattern of progress in both cases is broadly similar to that described by the others.

The Association reports an increase in actual and potential membership but the overall percentage of examination passes – 37 as against 35 in 1949 – is still low. An analysis of the results indicates that the main reason for the large number of failures is inadequate preparation caused by shortening the period of study in a natural urge to make up for time lost on war or national service. The district societies continue to be active but more support is needed if they are to fulfil their main purpose, which is the stimulation of interest among members in the latest accountancy technique and practice by means of lectures and discussions. A number of excellent papers was submitted at the annual conference held at Scarborough in September and, as an extension to the existing educational facilities available, the Council is considering the question of holding a summer school for members at one of the universities.

The income and expenditure account of the Association for 1950 shows a deficit of £3,724 as compared with £3,168 for 1949 and £1,199 for 1948. To prevent further inroads into the accumulated fund and to provide for the anticipated commitments of the Association, having regard to its growing responsibility in matters concerning the profession, the Council recommended during the year increases in admission fees and subscriptions. These were subsequently approved and became effective as from January 1st, 1951.

The retiring president, MR FREDERICK WILSON, O.B.E., J.P., F.A.C.C.A., concluded his speech at the forty-sixth annual general meeting of the Association by saying that any professional organization, to be successful, must demand from its members probity of conduct, character, integrity and a practical exhibition of those high qualities which command respect in the working code of life. He predicted that the Association would be judged in the future as much by the practice of these qualities as by its professional, technical and intellectual qualifications.

Membership of The Institute of Cost and Works Accountants, according to its thirty-second annual report, has increased

steadily since the war. There were 2,985 members as at December 31st, 1950, as against 1,846 at the end of 1945. The number of registered students now, 10,539, is almost exactly double the 1945 total of 5,260. During 1950, the record number of 5,767 candidates presented themselves for examinations. Of these, 1,935 were successful and 3,832 failed. There were 429 passes in the Final examinations out of a total of 1,766 entrants. Of 1,793 candidates for the first part of the Intermediate examination, 633 were successful and 733 out of 1,626 gained the second part. Attempts to take both parts of the Intermediate examination at once were made by 567 students but only 135 succeeded.

Branch and other activities continued throughout the year at a high level. Approximately 360 lectures, discussions and works visits were arranged in various parts of the country and the first residential summer school, which was held at St Catharine's College, Cambridge, in July, was highly successful. The Institute's revenue account for the year 1950 shows a surplus of £6,864 as compared with £5,186 in 1949.

The presidential address given by Mr Lawrence W. Robson, F.C.A., F.C.W.A., at the twenty-second national cost conference of the Institute held in London last week, is reproduced in full elsewhere in this issue. He took as his theme the paramount importance, under present conditions, of stating the true costs of production in both costing statements and published financial accounts. In his opinion, the two main factors militating against this objective were the combined pressure of inflation since 1939 and the redistribution, through the Budget, of national income by means of subsidies and other forms of social expenditure which were in effect wages. Because of conditions now ruling, Mr Robson said, it is possible to prepare annual financial accounts showing a money profit whereas losses in terms of real capital have been severe. Taxation of this apparent profit at current levels is a serious drain on the capital resources which otherwise would be used for the replenishment of worn-out assets and for normal expansion. The remedies suggested by Mr Robson were, firstly, the removal of food and other subsidies, thereby restoring £500 million to the Exchequer and allowing wages to find their proper level by negotiations between trade unions and employers and secondly, the establishment of a national economic council, representative of our industrial and commercial life, to advise the Government.

Mr Robson's argument that the accountant of today has a very definite responsibility in assisting management to meet the obligations imposed upon industry by existing economic conditions is undoubtedly sound. Developments in accounting techniques have advanced tremendously and the formulation of long-term planning in industry, on its present highly scientific basis, would not be possible without the information which the accountant presents to top management. At the same time, the exact extent of the accountant's functions in this connexion should be clearly understood. The information submitted by him is based partly on facts concerning past events and partly on a reasoned forecast of events still to happen, given a certain combination of circumstances. It is not his job to prophesy political or economic trends although if he considers the accuracy of his statements is being affected by these, or other, extraneous factors then he should, of course, point it out.

It is said that a single snap of the fingers upsets the motion of every star in the universe. The world, as a result of modern science, has become so small a place that the economic manoeuvrings of any one country have immediate repercussions on all the others. It is therefore as well to get the problem of our present discontent which, as we said in these columns last week, is common to all humanity, into its proper perspective, before propounding any solution which does not appear parochial in comparison to the magnitude of the task. The simple truth is that the world is ridden with the fear of war and, as the successful prosecution of modern warfare depends on the control of certain vital raw materials, the wild scramble to corner these markets has created a completely artificial set of commercial values which, in turn, has accelerated the natural trend of inflation. Until the fear of war is erased from the human mind no settled period of economic stability is possible and no expedient, national or international, can be other than makeshift. The question of how to bring about lasting peace by civilized means is, unfortunately, more than a question of costing. It is a matter for the individual conscience of every right-thinking citizen of the world.

REDUCTION OF A COMPANY'S CAPITAL

THE INTERESTS OF CREDITORS AND SHAREHOLDERS

by SPENCER G. MAURICE, Barrister-at-Law

IT is obviously of the greatest importance to the creditors of a company that its paid-up capital – the security on which the creditors rely – should not be reduced otherwise than in the course of carrying on the business operations of the company within the terms of the objects specified in its memorandum of association. It is equally clear that the reduction of capital may be detrimental to the interests of shareholders.

Experience has shown, however, that there are occasions when capital can be reduced without harming the interests of creditors, and when it is clearly for the benefit of the company that it should be reduced. But the Legislature has fully recognized the just claims of creditors and has been careful in the Companies Acts to preserve their rights. Hence it follows that, with three exceptions, it is necessary to obtain the sanction of the Court before reduction of capital can be carried out. The exceptions are forfeiture of shares for non-payment of calls, cancellation of shares which have not been taken or agreed to be taken (technically, this is not reduction at all) and bona fide surrender of shares, as a short-cut to forfeiture.

Wide Discretion as to Method

Reduction of share capital with the approval of the Court is dealt with in Section 66 of the Companies Act, 1948, and that section expressly provides that, subject to confirmation by the Court, and provided that authority is given by the articles of association, a company may by special resolution reduce its capital in any way, going on to state some of the possible methods of reduction. It neither prescribes nor prohibits any method of carrying out the reduction, a fact which (with reference to the Companies Act, 1867) both Lord Herschell, L.C., and Lord Watson appreciated and on which they remarked in *British and American Trustee and Finance Corporation v. Couper* ([1894] A.C. 399, 405, 410). This wide discretion as to the method by which the reduction may be brought about allows a company to pay off capital, not only in money, but also by transferring to the shareholders shares in another company, as happened in the case of *Ex parte Westburn Sugar Refineries Ltd* ([1951] 1 All E.R. 881), which was recently heard by the House of Lords on appeal from an interlocutor of the First Division of the Court of Session.

Facts of the 'Westburn' Case

The share capital of Westburn Sugar Refineries Ltd (hereinafter referred to as the Westburn company) was originally £609,000 divided into 609,000 fully-paid £1 ordinary shares; subsequently it had been converted into £609,000 ordinary stock. The company, which was threatened with nationalization, wished to reduce its capital, as being in excess of its requirements, to £548,100, and, as a preliminary step, formed an investment holding company called Lynedoch Investments Ltd (hereinafter referred to as the Lynedoch company). The scheme for reduction was as follows.

The Westburn company subscribed for 1,000 2*s* shares in the Lynedoch company and provisionally agreed to transfer to it certain assets – mostly holdings in private limited companies – the book value of which equalled the amount (£60,900) by which its (the Westburn company's) share capital was to be reduced. The actual value of these assets was, however, estimated to be more than three times the book value. In exchange, the Lynedoch company was to pay £100 in cash and to issue to the Westburn company or its nominees 608,000 2*s* shares in the Lynedoch company, credited as fully paid.

Payment by the Transfer of Shares

The Westburn company then proposed to reconvert its capital into £609,000 in £1 ordinary shares, and reduce it to the same number of shares of 18*s* each by returning paid-up capital to the extent of 2*s* on each share, this repayment being satisfied by the transfer to each shareholder of a fully-paid 2*s* share in the Lynedoch company for each share in the Westburn company which he held. The necessary resolutions were passed unanimously by the Westburn company, and a petition was presented to the Court of Session for the sanctioning of the proposed reduction.

This petition made it clear that the capital which was to be returned was in excess of the Westburn company's requirements, but the company did not show by how much its capital exceeded those requirements. The Court of

Session, in accordance with procedure, remitted the petition to a reporter, whose report showed that, after reduction of capital, the creditors of the Westburn company would still be amply provided for, while its shareholders were in no way prejudiced by the proposals. As to these points the Court of Session was satisfied, but the Court (by a majority) dismissed the petition on the grounds, first, that it was contrary to public policy to assist a company threatened with nationalization to part with valuable assets, and, secondly, that the company had failed to show by how much its capital was surplus to its requirements.

Decision of the House of Lords

In the House of Lords, Lord Normand fully approved the concern of the Court of Session to make sure that the rights of creditors and the interests of shareholders – not only actual, but also prospective – were not being sacrificed or injured, and appreciated that the threat of nationalization might reasonably arouse suspicions as to the motives of a company seeking to reduce its capital. Lord Reid, in his speech, remarked on the fact that it was unusual for a company to pay off share capital not with money, but by transferring shares in another company. His lordship, however, accepted the capacity of a company to pay off capital otherwise than with money as long since settled.

'The real questions in this case [he said (at page 885)] are whether it is competent in a reduction of capital to pay off share capital by transferring assets whose value clearly exceeds the amount by which the share capital of the company is reduced, and, if this is competent, whether it is proper in this case to allow it to be done.'

The noble and learned lord pointed out that, once it has been recognized that capital can be paid off otherwise than by payment of money:

'. . . There cannot be any requirement of exact correspondence between the amount of capital paid off and the value of the assets used to pay it off, because in many cases it is impossible to make any exact valuation of such assets. Therefore, the most that could be required would be an approximate correspondence, but I can see no reason why it must be held that the statute has imposed any such vague or difficult limitation.' (Ibid.)

Lord Radcliffe's Speech

Lord Radcliffe put the question in a somewhat different way:

'What is in question is a reduction of capital by repaying some paid-up share capital. If the transaction is itself competent, the Court should only refuse its confirmation if what is proposed to be done is somehow unfair or inequitable, and the consideration of what is unfair and inequitable cannot well extend beyond consideration of the interests of creditors, shareholders and the general public, by which term is, I think, meant persons who may in the future have dealings with the company or may be minded to invest in its securities.' (At page 887.)

Dealing with the first of the Court of Session's objections, Lord Radcliffe said:

'. . . I do not think that the contingency of nationalization has any relevance to the public policy which courts of justice should support. If the reduction is objectionable on other grounds it will not become the more acceptable because it may have been proposed in view of a pending measure of nationalization. Conversely, the threat of nationalization cannot render improper what is otherwise unobjectionable.' (Ibid.)

His lordship then went on to deal with the second ground of the Court of Session's dismissal of the petition and was unable to find

'. . . Any good reason why the Court should be concerned to know what is the extent by which the company's capital is surplus to its requirements.' (At page 888.)

A Question for the Company

Lord Radcliffe continued:

'If by that phrase, itself susceptible of ambiguity, is meant the extent by which the whole of the company's assets, at the best contemporary valuation that can be placed on them, exceeds what is required for the future conduct of its business, precise information on this would do nothing to aid the task of the Court, for it would throw no light on the sole point which is here in question, viz.: How much of the paid-up share capital is to be returned as being surplus? Nor do I think that evidence of this kind is usually required in cases of this sort. In truth this, which is the real question, answers itself by the company's own resolution. When a company has come to employ in its business, as this company has, a volume of assets very much greater in value than the amount of its paid-up share capital, there is no obvious answer to the question how much of that capital it needs for future trading. How much of the paid-up share capital the company can dispense with for the future is a domestic matter which the shareholders and their managers must decide among themselves. If the amount which they have decided on works no injustice to creditors or to shareholders I see no purpose which can be served by the Court's insisting on a precise figure of the company's wants or the striking of an exact balance between that figure and the total available resources in hand.' (Ibid.)

Lord Radcliffe said that he was not indifferent to the possibility of danger where it was proposed to return capital in the form of assets substantially greater in value than the amount of share capital. A reduction in this manner might facilitate a withdrawal of some part of the fund of capital which the company was by its constitution committed to retain. But, said the noble and learned lord – and this is clearly the crucial point – that depended on what was left in the company's assets, not on what was taken away from them. In the case of the Westburn company the House of Lords was quite satisfied that the company was in a strong position as regards its retained liabilities and assets, so that the rights of the creditors and the interests of the shareholders, actual and prospective, were amply protected; the proposed reduction should, therefore, be confirmed.

Rights of Preference Shareholders

Nationalization was the cause of the desire to reduce capital in two important cases which went on appeal to the House of Lords in 1949, *Scottish Insurance Corporation Ltd v. Wilsons and Clyde Coal Co Ltd* ([1949] A.C. 462) and *Prudential Assurance Co Ltd and Another v. Chatterley-Whitfield Collieries Ltd* ([1949] A.C. 512), but the point at issue was a different one from that which was considered in *Ex parte Westburn Sugar Refineries Ltd*. In both cases the petitioning companies had lost their assets by virtue of nationalization. In the former case, the company intended to go into voluntary liquidation, but postponed doing so until such time as the compensation payable to them under the Coal Industry Nationalization Act, 1946, should have been assessed and paid; in the latter case, the company did not intend to go into liquidation, but intended to carry on business in Eire and Northern Ireland. In both cases the companies decided that their assets were in excess of their requirements, and proposed to bring about a reduction of capital by paying off their preference capital, but their proposals met with opposition from the preference stockholders and preference shareholders concerned, who claimed that they would thus be deprived of a right to participate in the division of any surplus assets on a winding-up.

An Anomaly Renewed

In each case their lordships, having considered the articles of association, found nothing in them which gave to the holders of preference stock or shares a right in a winding-up to anything more than a return of their paid-up capital, and they held that whether the holders of preference stock or shares are entitled to participate in any surplus capital is a question of construction of the articles and the terms of issue. Consequently, the proposed reductions of capital were approved. The importance of these two cases lies in the fact that the House of Lords overruled *In re William Metcalfe & Sons Ltd* ([1933] 1 Ch. 142), where the Court of Appeal had held that the memorandum and articles of a company could not be construed as either expressly or impliedly depriving the preference shareholders of their right as contributories to share in the distribution of surplus assets *pari passu* with the ordinary shareholders on the liquidation of the company. In *Will v. United Lankat Plantations Co Ltd and Another* ([1914] A.C. 11) the House of Lords had decided that a subscriber who took preference shares with a fixed preferential dividend and a first right to his capital on a winding-up, was not entitled to any greater share of the profits than that which his preferred dividend gave him. It was obviously logical that the same principle should apply in the case of the distribution of surplus assets, as is now the fact; *In re William Metcalfe & Sons Ltd* was clearly anomalous.

Reducing Unissued Capital

In conclusion, mention may be made of the Scottish case of *Ormiston Coal Co* ([1949] S.C. 516) where a novel point arose. The company passed a special resolution for the reduction by half of its share capital, by returning 10*s* on every issued share of £1, and by reducing the nominal value of each unissued share from £1 to 10*s*. The point in doubt was whether unissued share capital could be reduced otherwise than by cancellation in the terms of Section 61 of the Companies Act, 1948; it appeared that there was possibly a conflict between that section and Section 66. The Second Division of the Court of Session held, however, that the two sections were quite separate and distinct in their functions, and that the proposed method of reduction was competent under Section 66. This case is not, of course, binding on the English Courts, but there seems to be no possible objection to the procedure adopted, in view of the fact that the reduction or cancellation of unissued shares does not prejudice the rights of creditors, and it seems, therefore, very probable that the Court of Session's decision would be followed in England. It is noteworthy, moreover, that there was in fact a reduction of unissued capital in *In re Welsbach Incandescent Gas Light Co Ltd* ([1904] 1 Ch. 87), although the matter was not there subject to judicial decision.

GARAGE ACCOUNTING—II

by E. V. HARBER, F.I.A.C.

FROM the accounting point of view, driving tuition resembles chauffeur-driven hire except that it is usual to effect sales of a series of five (or perhaps three) lessons, and charges are payable in advance. The recording of bookings will be similar to that described above except that the date for each lesson may be arranged only on the conclusion of the preceding one. Cash payments are recorded by docket through the cash sales but the area cashier will prepare, for each customer, a 'spread-over card' which will show the amount paid and the number of lessons due. Each lesson will be recorded thereon as completed so that at any given date the payments received in advance may be ascertained.

Car Insurance

It is usual for the larger service station to hold at least one insurance agency, to be in a position to issue cover notes on behalf of the insurance company and to ensure that proposal forms are correctly completed. Such arrangements, however, usually devolve upon the manager who prepares invoices for sales effected and passes the copies thereof to his area cashier. As insurance companies are prone to render their accounts long after policies have been issued, copies of all correspondence relating to customers' insurances are passed to the accountant so that the appropriate accruals can be made at the end of each accounting period.

The Accessories Shop

The most modern innovation in the retail trade is the establishment of the accessory shop, where the customer can walk in, view, obtain advice upon and select any of the huge range of accessories available to the motoring public. It is designed to give the maximum display and enjoys the full-time service of a specialist salesman. Here sales are recorded through the medium of the small docket invoice but in addition an extract thereof – on which are recorded both the cost and selling prices of all items sold – is maintained. This extract has been incorporated because the range of items dealt with in the accessory shop varies quite considerably from the lines normally sold on the petrol station and it gives reliable verification of the gross profit produced by periodic accounts.

The first part of this article appeared in our issue dated May 26th, 1951.

Wholesale Stores

This is something of a departure from the normal retail scope of the business and applies only when a distributorship or main agency is held in respect of one or more makes of vehicle. The function of the distributor or main agent includes the holding of stocks of spare parts of the make of vehicle concerned and to meet the demands of all garages, workshops, and traders within his area, for which he is the only source of supply. It is seldom that items are sold direct to the consumer and the majority of sales are therefore within the trade and at trade price, which is retail price less a fixed trade discount. In many cases, however, the trade discount varies according to the standing of the trader supplied and the overriding discount available to the distributor from the manufacturer may also vary according to whether the parts concerned are fast-moving, moderate, or slow-moving items. For the guidance and reference of the trader it is essential for all invoices to show the manufacturer's part number of each item supplied, and as it is the distributor's responsibility to supply the correct part, whether accurately demanded by the trader or not, the particular model together with the chassis and engine numbers must be known. A special invoice is therefore designed for this type of trade and the transactions are quite separate from other activities of the service station. These transactions will consist of cash sales, credit sales, consignments forwarded C.O.D. and *pro forma* invoices. The latter become cash sales on receipt of the remittance and until that time the stores are merely selected and held on behalf of the customer so that as far as sales records are concerned, these items, together with the first named, appear on the cash sales sheet whilst C.O.D. consignments are treated as credit sales.

Having regard to the large stocks held by the distributor, and to the fact that repeated stocktakings for internal accounting purposes are not practicable, an extract of all sales, showing the total cost and retail values of each invoice, is made in the same way as for the accessories shop.

Car Sales

The selling of vehicles is another specialized function of the retail motor trade and involves the establishment of a separate department. It

calls not merely for a salesman able to sell a commodity, but in the case of second-hand cars, for years of experience on the part of the sales manager to assess the value of that commodity according to current market conditions, to appreciate the internal and external condition thereof and the ability to purchase at a fair price which will still allow a reasonable margin of profit on resale. It demands also a thorough and comprehensive knowledge of regulations affecting the trade, especially in days of shortage and inflated values as they exist at the present time. It is essential, therefore, that complete records are maintained of the vehicles handled by make, model and registration number, that notifications of change of ownership are made to the authorities, that the existence of lien or hire-purchase agreement affecting a vehicle is ascertained before purchase.

As soon as it has been decided to purchase a second-hand car, or when the distributor notifies that a new car has been allocated and is ready for collection, a stock number is allocated to the vehicle and a cash requisition is prepared, giving details of the purchase. A cheque is issued forthwith against this requisition, it being the usage of the trade to pay for a vehicle when its title passes to the purchaser. As will be appreciated, some adjustment or repair may be necessary before a vehicle can be offered for sale, and even a new car must be fitted with number plates before it can be handed over to the customer. On the sale of a vehicle a 'car sales statement' is prepared by the car sales department showing the original purchase price, the cost of any additions and repairs carried out, any reserves set aside out of the gross profit and the selling price. As far as reserves are concerned, it must be borne in mind that certain adjustments are laid down by the manufacturer as being due to the purchaser of a new car and this service has to be carried out free of charge by the vendor of the vehicle.

Car Sales Reserves

The prudent trader therefore sets aside out of each new car deal a 'free service' reserve so that he does not over-estimate the true profit. Experience shows, too, that in normal times some second-hand cars may remain in stock and may depreciate, resulting in a loss when eventually sold. In order to safeguard against this, it is good policy to set aside a small percentage of the selling price of each car to form a reserve which may be used to cover any such losses which arise. In view of the importance of the records of vehicles bought and sold, and as the issue of cheques for the purchase thereof is a function of head office, the permanent records are maintained by the accountant. These records consist of a register giving the make, type, registration number, and stock number of the vehicle, date of sale, station making the sale, and the gross profit emerging; and a card portraying all the details of the deal built up from original documents – the cash requisition, the repair order covering number plates, repairs or adjustments, and the sales invoice. These details should be identical with those on the car sales statement but are not necessarily so and the latter is merely the salesman's notification of the sale as it appears to him; it is therefore only a guide to the accountant whereas it is only from the card record that the actual profits can be ascertained and the book value of stock extracted at any time. From the card record a detailed statement of car sales can be prepared in respect of any trading period.

Wages and Salaries

The other main function within the orbit of the area cashier is the compilation of wages and salaries for all employees of his area other than managerial staff on monthly salary. Owing to the fact that all cheques are issued from headquarters and that adequate time must be allowed for the submission of the wages sheet and its return accompanied by the wages cheque, the wages sheet may have to be compiled as early as Tuesday of each week. Weekly-paid employees are paid up to the end of their normal turn of duty (say Friday), whilst hourly-paid labour is calculated up to the end of the shift (say Wednesday). As far as weekly employees are concerned, the area cashier prepares the current week's wages sheet from that of the previous week, allowing for new employees and for any who have left, and has in his possession the clock cards showing time on duty of each individual up to and including the previous day. He assumes that each employee will report for duty and will work normal hours on the remaining days of the wage week, calculating his wages accordingly. If any time is lost or overtime worked between the Tuesday and the Friday, it will be the subject of an adjustment on the following week's sheet.

Meanwhile the daily time sheets of hourly-paid staff (referred to under workshop operations) have been summarized by the cost clerks on a weekly time sheet for each employee, it being assumed that no overtime will be worked on Tuesday and Wednesday and that no time will

be lost. Allowance is made, however, for any overtime or time lost on the same days of the previous week, and the total hours worked – shown under headings of normal time, first and second overtime – are notified to the area cashier.

From these details, the wages sheet is compiled showing gross wages, national insurance and other deductions, and the net wages prior to the calculation of P.A.Y.E. A wages requisition, giving the allocation of gross wages and adjustments by stations and departments, accompanies the wages sheet together with the previous week's wages sheet, details of petty cash disbursements for reimbursement under the imprest system, and personnel papers supporting any changes in staff or alterations to rates of pay.

On arrival at headquarters the wages requisition is checked against the wages sheet and personnel papers, the petty cash disbursements checked and detached, the previous week's wages sheet filed, and P.A.Y.E. for the current week calculated. After adjustment of the wages requisition in respect of P.A.Y.E., the wages cheque is drawn, signed, and forwarded to the area cashier with the wages sheet to which it refers.

All P.A.Y.E. is therefore centralized at headquarters, who are responsible for the monthly and annual reconciliation thereof and who deal with one tax office only on all matters related thereto. As will be seen, all wages sheets except that for the current week are at headquarters where all past wages records are maintained.

Purchase Procedure

All purchasing on behalf of the organization is vested in the purchase manager but in actual practice the function is decentralized to the storekeeping staff of the company in respect of repair materials, replenishment of petrol stocks, and customers' special orders only. In these particular cases it would be of no advantage to purchase through headquarters and would, in fact, be of some considerable disadvantage as it would result in delay in obtaining spare parts for workshop jobs and would in all cases involve duplication of work. In effect, therefore, local storekeepers may be authorized to issue official orders for urgently required items for immediate resale, but all stock lines and replenishments thereof are demanded from headquarters by purchase requisition. Issues from headquarters' bulk stores in accordance with these requisitions are made under cover of material transfers, but in certain cases where stock is not available may be the subject of an headquarters order for direct delivery to the station concerned in which case a copy of the purchase order is forwarded to the local storekeeper.

On receipt of the goods, details of the delivery are recorded on the reverse of purchase order in a section printed for this purpose; subsequently, the supplier's invoice is passed by the storekeeper concerned who records the particulars thereof in a further section provided and also enfaces the invoice with the station and account to which the goods are chargeable, the purchase order number, the selling price, and his initials. Suppliers' invoices are then routed through the area cashier to the purchase manager who scrutinizes them, verifying that storekeepers are not exceeding their purchasing authority and that prices charged are fair and reasonable.

After verification by the purchase manager, invoices pass to the accountant under whose control they are prepared for the book-keeping machines. In a multi-branch company where purchases are continually being made covering some thirty trading and expense accounts, analysis would be impracticable by means of a purchase journal, so the equivalent thereof is built up by the machine operators by posting each invoice initially to a set of allocation vouchers before the normal posting to the personal accounts comprising the purchase ledger. For this purpose all invoices are pre-listed on an adding-listing machine in station and account order.

Stores Records

At many petrol stations the turnover of accessories and tyres – and the resulting gross profit – is not large enough to warrant elaborate and expensive stock records; and although remote recording of stocks is ideal, it has to be realized that in the circumstances it would be uneconomic. A simple form of bin card may therefore be employed throughout the company and maintained by the storekeeper within his stores office. It is of course realized that a good storekeeper is not necessarily a good clerk, and that the bin cards are not necessarily accurate unless each entry thereon is checked by an independent clerk, but these elementary bin cards have been found reasonably satisfactory when combined with a monthly physical check of all stores and with the gross profit percentage control incorporated in the monthly trading accounts.

Headquarters' bulk stocks and distributors' wholesale stores do not come within this classification but justify the remote control possible with certain systems.

(*To be concluded.*)

WEEKLY NOTES

The President and Vice-President of the Institute

Mr Charles William Boyce, C.B.E., F.C.A., was elected President of The Institute of Chartered Accountants in England and Wales, and Mr Thomas Buston Robson, M.B.E., M.A, F.C.A., was elected Vice-President, at a meeting of the Council of the Institute held last Wednesday.[1]

Mr Boyce is already well known to members, for as Vice-President of the Institute during the past year he fulfilled many official engagements and, in 1949, as the Vice-President of the Leeds, Bradford and District Society of Chartered Accountants, he accepted the office of Vice-President of the Society's Conference Committee during the Institute's nineteenth autumnal meeting, which was held in Harrogate in October of that year.

He is senior partner in the firm of Boyce, Welch & Co, Chartered Accountants, of Bradford and London, a firm which he and the late Mr Thomas Paton, C.A., founded in 1905 and which was amalgamated with the practice carried on by Mr Allan Welch, F.C.A., in 1918. Articled in 1894 to the late Mr J. Hartley Blackburn, F.C.A., at the Bradford office of H. W. & J. Blackburn (now Blackburns, Robson, Coates & Co), Mr Boyce was admitted an associate of the Institute in 1900. He was elected to fellowship in 1911 and to membership of the Council in 1935, succeeding his late principal, Mr Blackburn, as the representative for Bradford.

Mr Boyce has always taken an active part in Institute affairs and has served on several committees of the Council, including the Applications Committee, of which he was chairman from July 1947 to the date of his election as Vice-President, the Finance Committee and the Investigation Committee.

In 1939, on the outbreak of the last war, he was appointed Joint Director of Finance of the Wool Control, retaining the appointment until the control closed down in 1949. In recognition of his services in this capacity he was awarded the C.B.E. in 1950.

He has many interests, an example of his activities being his membership of the Council of the Bradford Chamber of Commerce spread over a period of more than twenty-one years. A keen sportsman, his first love was cricket, a game which he played regularly until he was over fifty, and he now has his two rounds of golf every week-end.

Of Mr Boyce's personal qualities, we cannot do better than quote the words of Sir Harold Barton, F.C.A., a fellow Yorkshireman, on the occasion of Mr Boyce's election to the Vice-Presidency of the Institute:

> 'First, he is a very friendly man; next he is a man of wide experience, of shrewd judgment, of great energy, and he has been a hard worker all his life. When he tackles a job he does it thoroughly and with complete efficiency.'

[1] A report of the speeches made at this meeting will be published in next week's issue.

It gives us great pleasure in this issue to present to our readers a reproduction of a recent photograph of the new President.

Mr Thomas Buston Robson, M.B.E., M.A., F.C.A., the new Vice-President, is also well known to members of the Institute and of the profession.

He is a member of the Board of Trade Accountants Advisory Committee on the working of the Companies Act, and of the Central Valuation Board for the Coal Industry which, on nationalization, apportioned the global sum among the coal districts. He was also a member of the Committee on the Amendment of the Census of Production Act which reported in 1945. It will be recalled that he gave evidence on behalf of the Institute before the Cohen Committee on Company Law Amendment and before the Tucker Committee on the Taxation of Trading Profits. He also gave evidence on behalf of the auditor who was a defendant in the *Crittall* case.

At the last autumnal meeting of the Institute, held at Harrogate in 1949, he read a paper entitled 'Fifteen months' experience of the Companies Act, 1948', and has given numerous other papers on professional subjects. He is the author of a book on consolidated accounts, and was responsible in 1936 for the third edition of *Holding Companies and their Published Accounts*, on the preparation of the second edition of which he had assisted the late Sir Gilbert Garnsey, K.B.E., F.C.A.

Mr Robson was born and brought up in Newcastle upon Tyne, and was at school at Rutherford College. His university studies were interrupted by the 1914–18 war, during which he served with the Royal Garrison Artillery in the Macedonian campaign and was mentioned in dispatches and awarded the M.B.E. After demobilization in 1919 he returned to what is now King's College, Durham University, and took his degree in modern history there in the following year. In August 1920 he was articled to Mr H. A. Sisson, O.B.E., M.A., F.C.A., a partner in the firm of Sisson and Allden, Chartered Accountants (now Winter, Robinson and Sisson), of Newcastle. In November 1922 he passed the Final examination of the Institute, gaining the W. B. Peat Gold Medal and Prize and Second Certificate of Merit. In the following year he joined the staff of Price Waterhouse & Co at their London office, and eleven years later, in 1934, was admitted to partnership. He is a partner in a number of their overseas firms and is a chartered accountant of Ontario and India, besides being an international associate of the American Institute of Accountants.

His Institute activities have been many. He was elected a member of the Council in 1941, and has served on several of its committees, being now Chairman of the Parliamentary and Law Committee

and a member of the General Purposes Committee. He has also represented the Institute at meetings of accountants in North America and on joint committees dealing with matters affecting the profession as a whole in this country. He was appointed a Vice-President of the London Chartered Accountant Students' Society at the society's last annual meeting.

For many years Mr Robson was an active worker in the Boy Scout movement and he is an elder of St Columba's Church of Scotland.

An informal photograph of Mr Robson appeared in the Supplement to *The Accountant*, dated December 3rd, 1949, at page 13.

New President and Vice-President of the Association

The newly-elected President of the Association of Certified and Corporate Accountants is The Right Hon. Lord Latham of Hendon, J.P., F.A.C.C.A., F.C.I.S., Chairman of the London Transport Executive.

As Mr Charles Latham, Lord Latham was one of the founder members of the London District Society (then called the London District Committee) and for the first ten years was its president. Since the commencement of his membership he has taken a keen and active interest in the work of the Association. He was elected Vice-President in 1949, is Chairman of the Parliamentary and Law Committee, and represents the Association on the Accountants' Joint Parliamentary Committee and on the Co-ordinating Committee.

A Knight of the Order of St John, he was created a Baron in 1942 and has been Lord-Lieutenant of Middlesex since 1945. Lord Latham has for long figured prominently in public life; he was a member of the Public Works Loan Board from 1930 to 1946 and a member of the Economy 'May' Committee in 1931. From 1934 to 1940 he was Chairman of the Finance Committee of the L.C.C. and was Leader of the London County Council from 1940 to 1947. He was a member of the London Passenger Transport Board from 1935 to 1947.

Mr William Macfarlane Gray, F.A.C.C.A., has been elected Vice-President of the Association.

Mr Macfarlane Gray is senior partner in the firm of Macfarlane Gray & Co, Accountants, of Stirling. He has been a member of the Council for thirteen years and has served as chairman of the Examinations and District Societies Committees.

A member of the Stirling Town Council for ten years, for four years of which he was honorary treasurer of the burgh, Mr Macfarlane Gray was elected to the Bench in 1945 as senior magistrate, a post which he held until his retirement in 1947. He is also a past deacon of the Incorporation of Weavers and a member of the Guildry of Stirling.

The Institute of Cost and Works Accountants

Mr A. W. Muse, F.C.W.A., F.A.C.C.A., was elected President of the Institute of Cost and Works Accountants at the annual general meeting held during the conference reported elsewhere in this issue.

A native of Carlisle, Mr Muse became an associate of the Institute in 1929, and a fellow in 1934.

He spent his early business career in East Africa, and on his return to this country held municipal appointments at South Shields, Rotherham, and Portsmouth. In 1932 he became deputy chief accountant of the City of Birmingham Corporation public works department, being appointed chief accountant in 1936 – a position which he still holds.

Mr Muse has been a member of the Council of the Institute for more than ten years, and serves on its Executive Committee. As chairman of the Examinations Committee he played a considerable part in the formulation of the revised syllabus which becomes effective at June 1952. He is also a member of the Institute's Research Committee, and as chairman of the group dealing with municipal costing had much to do with the early work of the Institute in this field. He is a representative of the Institute of Cost and Works Accountants on the Joint Committee with the Institute of Municipal Treasurers and Accountants now set up to further this research work.

Mr S. C. Tyrrell, F.C.W.A., F.I.I.A., who was elected President-Designate, became an associate in 1921 and was transferred to fellowship in 1935. He was an early member of the Research Committee, and took a major part in the production of the first publication of that committee, 'The problem of selling and distribution cost accounting', which was issued in 1940. Mr Tyrrell is local director and chief accountant of Newton Chambers & Co Ltd, of Thorncliffe, near Sheffield.

Mr Cube and the Inland Revenue

It will be remembered that some time ago the anti-nationalization campaign carried on by Tate & Lyle Ltd was the subject of a question in the House of Commons when the then Chancellor of the Exchequer, Sir Stafford Cripps, told the questioner that the expenses of the campaign would not be deductible in arriving at the company's profit for tax purposes. The company has now appealed against an assessment disallowing the expenditure, and the Special Commissioners who heard the appeal have held that the expense was incurred wholly and exclusively for the purposes of the company's business and was therefore properly deductible.

Assuming that their representative at the appeal expressed dissatisfaction with this decision, it is open to the Revenue to demand the statement of a case for the opinion of the High Court. This can only be on a point of law however – presumably the point that there was no evidence on which the Special Commissioners could come to such a decision.

The Finance Bill: Committee Stage

The Finance Bill was discussed in committee last Tuesday, Wednesday and Thursday. In our next issue we will give a report of the proceedings in accordance with our normal practice.

FINANCE AND COMMERCE

Sustained support for leading industrial equities is seen in stock markets with values approaching the 1947 peak levels.

Manfield Accounts

The accounts for the year to December 31st, 1950, by Manfield & Sons Ltd, are for presentation at the company's thirty-first annual meeting but are the first accounts since the opening of the well-known footwear business to the public. This took place in November 1950, when one million of the 2,496,736 5*s* one-class shares came out of private holdings and were sold to the public at 20*s* each. These accounts, beautifully printed and well set out, show that the minimum profit of £500,000 expected when the shares were sold has been realized with a margin over of £68,869.

The main contribution to the easy reading of the figures is the presentation of the detail and explanations in notes on the accounts. The position is further summed up in the chairman's statement which points out that the Companies Act, designed to provide shareholders with more detailed information, has in many ways made for complexity in the reading of the accounts. The directors have accordingly presented a summarized consolidated balance sheet. From a total of fixed assets, investments, and trading assets is deducted creditors and taxation payable, with a further deduction from the net figure of the debentures, leaving a 'net worth of the business' total.

The net worth is over 20*s* per 5*s* share. The dividend is covered twice over and in terms of distribution on capital employed is only 3·3 per cent.

Accountant's View

Mr H. Tansley Witt, F.C.A., vice-chairman of Cooper, McDougall & Robertson Ltd, the makers of sheep and cattle dips, etc., this year provides the statement with the accounts in the absence abroad of the chairman. He sees taxation at a level 'which is most dangerous for the country's industry and commerce'.

The company has just stepped up its ordinary distribution to 10 per cent (on £824,411) after paying the 7 per cent preference dividend on £747,475. This follows 5 per cent for 1949 and 1948 when, Mr Witt points out, the directors adopted a cautious policy owing to uncertain world conditions. Since the ordinary distribution was declared, the accounts have to bear an additional taxation charge of £10,500.

Mr Witt explains to shareholders the effect of present taxation on the business in the future. For each £1 of profit retained in our business to finance higher prices or for its development, approximately £1 must be paid in income-tax or profits tax. To pay preference dividend and profits tax chargeable thereon, trading profits of the order of £80,000 must be earned before any ordinary dividends can be paid. This means, says Mr Witt, that profits tax on the preference dividend, equivalent to a 3 per cent ordinary dividend, will be an annual prior charge on the equity shares which must be earned in addition to the preference dividend before any ordinary dividend can be paid. Thereafter, for each £1 of ordinary dividend no less than £2, he says, must be paid in income and profits taxes.

Olds Discount

The following comparative profits table is taken from the statement by Mr W. A. Olds, chairman of Olds Discount Co Ltd, as a further example of the showing of the extent to which dividends were covered by profits. The company finances the acquisition of assets, from plant and machinery to bicycles. It has recently formed a joint company with Tube Investments Ltd, to handle the whole of the hire-purchase business for Tube Investments' goods.

Money Market

Treasury bill applications on June 1st were £349,515,000 against £336,605,000 previously. The market obtained 60 per cent of requirements with the average rate 10*s* 2·78*d* per cent against 10*s* 2·98*d* per cent. This week's offer is £260,000,000 and the deposit receipt call £25,000,000.

	1946		1947		1948		1949		1950	
	£	%	£	%	£	%	£	%	£	%
Profit before Taxation	77,398	*100*	121,169	*100*	138,579	*100*	161,030	*100*	185,317	*100*
Taxation	33,000	*42·6*	57,000	*47·0*	73,478	*53·0*	90,250	*56·1*	108,750	*58·7*
Dividends Paid (net):										
Preference	4,812	*6·2*	5,775	*4·8*	12,650	*9·2*	12,650	*7·8*	12,650	*6·8*
Ordinary	19,095	*24·7*	20,832	*17·2*	27,500	*19·8*	30,938	*19·2*	32,062	*17·3*
Profit retained	20,491	*26·5*	37,562	*31·0*	24,951	*18·0*	27,192	*16·9*	31,855	*17·2*
		100		*100*		*100*		*100*		*100*
Ordinary Capital	189,375		189,375		250,000		250,000		300,000	
Reserves	292,250		301,103		508,105		540,297		521,622	
Dividend (gross) on Ordinary Capital	20%		20%		20%		20% *and one bonus share for every 5 (participating in final dividend)*		*20% on Capital increased by Bonus Issue*	
Earnings (gross) on Ordinary Capital – after Preference Dividends and Profits Tax	42·3%		56·1%		38·1%		42·2% *(on Ordinary Capital of £250,000)*		40·9%	
Ordinary Capital Covered	2·5 times		2·6 times		3·0 times		3·2 times		2·7 times	

1949 £	1949 £		£	£
		Authorized		
		2,496,736 Ordinary Shares of 5s each	624,184	
—		1,375,816 Unclassified Shares of £1 each	1,375,816	
£2,000,000				£2,000,000
		Issued and Fully Paid		
—		2,496,736 Ordinary Shares of 5s each		624,184
624,184		624,184 Unclassified Shares of £1 each		—
		Capital Reserves		
	224,396	Capital Profits	230,341	
	45,851	Excess Profits Tax Post-war Refunds	45,851	
	1,100,378	Surplus on Valuation of Fixed Assets	1,104,128	
1,370,625	—	Debenture Stock Sinking Fund	1,131	1,381,451
		Revenue Reserves		
	132,465	Contingencies	135,700	
	200,000	Stock	200,000	
	25,000	General	25,000	
452,355	94,890	Profit and Loss Account	114,664	475,364
2,447,164				2,480,999
—		**4 per cent Debenture Stock 1970-85**		1,000,000
120,800		**Future Income Tax (Schedule D, 1951-52)**		190,000
		Current Liabilities and Provisions		
	495,551	Bank Overdraft	—	
	137,331	Current Taxation and Deferred Repairs	257,199	
	105,492	Acceptance Credits and Loans	249,000	
	276,503	Trade Creditors and Accrued Expenses	305,161	
	36,042	Subsidiary Companies	16,516	
1,076,667	25,748	Proposed Dividends (less Income Tax)	85,825	913,701
£3,644,631				£4,584,700

1949 £	1949 £		£	£
		Fixed Assets		
	2,129,975	Freehold and Leasehold Properties	2,147,186	
	154,448	Fixtures and Fittings	179,998	
	39,630	Plant and Machinery	41,477	
	13,712	Lasts, Knives and Patterns	13,712	
	18,204	Motor Vehicles	17,616	
	2,355,969		2,399,989	
2,397,923	41,954	Goodwill – at cost less amounts written off ..	41,954	2,441,943
		Investments – at cost		
	64,568	Shares in Subsidiary Companies	95,548	
	14,417	Trade Investments	14,417	
99,036	20,051	£20,330 2½ per cent Funding Loan	20,051	130,016
		Current Assets		
	1,050,479	Stock-in-Trade	1,320,878	
	42,817	Trade and Sundry Debtors	55,068	
	45,710	War Damage Claims	43,426	
	6,428	Subsidiary Companies	91,561	
1,147,672	2,238	Cash at Bankers and in hand	501,808	2,012,741
£3,644,631				£4,584,700

Notes on the Accounts are shown on page 9.

J. M. PIGOTT
A. S. GARRARD } *Directors.*

Report of the Auditors to the Members of Manfield and Sons Limited

In our opinion and to the best of our information and according to the explanations given to us: (i) the above Balance Sheet of the Company with the annexed Group Accounts gives a true and fair view of the state of the Company's affairs as at December 31st, 1950, and (ii) the annexed Group Accounts comprising a Consolidated Balance Sheet and Consolidated Profit and Loss Account, give, from the standpoint of the Members of the Company, a true and fair view of the state of affairs as at December 31st, 1950, and of the profit for the year ended on that date of the Company and its Subsidiaries.

The Accounts of certain of the Subsidiaries have been audited by other firms.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion, the Company has kept proper books of account and received proper Branch Returns and the above-mentioned Balance Sheet of the Company, which is in agreement therewith, gives with the Group Accounts and the Notes on page 9, in the prescribed manner the information required by the Companies Act, 1948.

BAKER & CO, *Incorporated Accountants.*

Northampton, *May 3rd, 1951.*

Consolidated Balance Sheet, December 31st, 1950

1949 £	£	£		£	£
			Share Capital		
			Authorized		
—			2,496,736 Ordinary Shares of 5s each ..	624,184	
			1,375,816 Unclassified Shares of £1 each ..	1,375,816	
£2,000,000					£2,000,000
			Issued and Fully Paid		
—			2,496,736 Ordinary Shares of 5s each ..		624,184
624,184			624,184 Unclassified Shares of £1 each ..		—
			Capital Reserves		
	224,396		Capital Profits	230,341	
	46,753		Excess Profits Tax Post-war Refunds ..	47,278	
	1,181,926		Surplus on Valuation of Fixed Assets ..	1,155,912	
1,453,075	—		Debenture Stock Sinking Fund	1,131	1,434,662
			Revenue Reserves		
	138,233		Contingencies	142,490	
	220,696		Stock	219,660	
	34,607		General	34,888	
518,331	124,795		Profit and Loss Account	152,247	549,285
2,595,590					2,608,131
1,328			**Minority Interests in Subsidiaries**		6,180
—			**4 per cent Debenture Stock, 1970-85** ..		1,000,000
135,815			**Future Income Tax (Schedule D, 1951-52)**		197,558
			Current Liabilities and Provisions		
	542,170		Bank Overdraft	—	
	147,501		Current Taxation and Deferred Repairs	275,755	
	105,492		Acceptance Credits and Loans	249,000	
	343,545		Trade Creditors and Accrued Expenses ..	346,192	
			Proposed Dividends: £		
		25,748	Manfield & Sons Ltd 85,825		
		27	Outside Shareholders of Subsidiary —		
	25,775			85,825	

1949 £	£	£		£	£	£
			Fixed Assets			
	2,308,715		Freehold and Leasehold Properties ..		2,333,351	
	189,352		Fixtures and Fittings		228,616	
	48,097		Plant and Machinery..		53,978	
	13,712		Lasts, Knives and Patterns		13,712	
	18,204		Motor Vehicles		17,616	
	2,578,080				2,647,273	
		44,955	Goodwill at cost, less amounts written off	£44,955		
		3,801	*Less* Capital Surplus arising on the incorporation of the book value of the Net Assets of Subsidiaries in the Consolidated Balance Sheet	40,541		
2,619,234	41,154				4,414	2,651,687
			Investments – at cost			
	14,442		Trade Investments		14,442	
34,493	20,051		£20,330 2½ per cent Funding Loan		20,051	34,493
			Current Assets			
	1,142,899		Stock-in-Trade		1,423,158	
	51,711		Trade and Sundry Debtors		65,682	
	45,710		War Damage Claims		43,571	
1,243,489	3,169		Cash at Bankers and in hand		550,050	2,082,461

Notes on the Accounts are shown on page 9.

MANFIELD AND SONS LIMITED AND SUBSIDIARY COMPANIES
Consolidated Profit and Loss Account for the year ended December 31st, 1950

1949 £	£	£		£	£	£
	546,235		Trading Profit		624,599	
	650		Income from Investments		945	
546,885						625,544
	38,427		Depreciation and Amortization		58,706	
	1,678		Auditors' Fees		1,850	
	80,968		Directors' Remuneration (Note 6)		54,825	
	13,788		Interest on Bank Overdraft and Loans		17,591	
	—		Interest on 4 per cent Debenture Stock		16,667	
134,861						149,639
412,024			**Profit before Taxation**			475,905
			Taxation on the Profits of the year:			
	65,234		Profits Tax		91,835	
	172,006		Income Tax		212,885	
237,240						304,720
174,784			**Net Profit after Taxation**			171,185
	105,913		Balance brought forward from last year		124,795	
	205		Taxation adjustments relating to prior years		13,997	
105,708						138,792
280,492			**Available** and appropriated as follows:			309,977
	—		Debenture Stock Sinking Fund		1,131	
	372		Minority Interests		420	
	—		Profits of Subsidiary earned prior to acquisition		1,408	
			Transfers to Reserves:			
		1,091	Internal Insurances	1,282		
		11,321	Contingencies	1,484		
		100,000	Stock	—		
	112,412				2,766	
	—		Discount on Issue of Debenture Stock		20,000	
	—		Debenture Stock Issue and Share Quotation Expenses		46,180	
			Dividends (less Income Tax):			
		17,165	First Interim of 10 per cent	34,330		
		25,748	Second Interim of 15 per cent	51,495		
	42,913				85,825	
			Carried forward to next year:			
		94,890	The Company	114,664		
		29,905	Subsidiaries	37,583		
	124,795				152,247	
£280,492						£309,977

TAXATION CASES

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in *The Annotated Tax Cases.*

Davies *v.* Shell Co of China Ltd

In the Court of Appeal – May 7th, 1951

(Before Lord Justice COHEN, Lord Justice SINGLETON and Lord Justice JENKINS)

Income-tax – Exchange differences – Deposit of money by agent – Deposits in Chinese dollars – Conversion into sterling deposits – Repayment of deposits to agents after fall of Chinese dollar – Whether difference a trading receipt – Income Tax Act, 1918, *Schedule D, Case I.*

The respondent company sold petroleum products in China to 'agents', who did not pay for their consignments beforehand. In order to safeguard the company's position to some extent in the event of the agents' default, they were required to deposit sums in Chinese dollars with the company. At December 31st, 1936, the company held deposits equivalent to £430,559 in Shanghai.

In August 1938 the company transferred the deposits to London, and the Chinese dollars were converted into sterling. In 1941 the company ceased its operations through agents in China, and the amounts due to the agents were paid to them. As there had been a fall in the Chinese dollar in the meantime, the company was able to obtain the currency wherewith to pay the agents for an expenditure in sterling of about £201,084, and thus £229,475 of the £430,559 was retained by the company.

The Inland Revenue contended that the £229,475 was a trading receipt, and it was assessed for 1942–43. It was contended on behalf of the company that this sum was a capital profit, and the Special Commissioners so held.

Held (affirming the decision of Mr Justice Danckwerts), that the Special Commissioners' decision was correct.

Rellim Ltd *v.* Vise

In the Court of Appeal – May 3rd, 1951

(Before Lord Justice COHEN, Lord Justice SINGLETON and Lord Justice JENKINS)

Income-tax – Property transactions – Company with property-dealing powers – Treated by Inland Revenue as investment-holding company – Management expenses claims allowed – Sale of properties – Whether trading transactions – Income Tax Act, 1918, *Section* 33, *Schedule D, Case I.*

The appellant company was incorporated in 1938, and it had power to acquire and dispose of property, and also to manage property. It was agreed with the Inland Revenue that the company should be treated as an investment-holding company, and that it should be given relief for management expenses under Section 33 of the Income Tax Act, 1918.

In its first complete accounting period the company purchased twelve houses, three garages, and about thirteen acres of land. In the accounting period ended March 31st, 1944, a farm comprising forty-seven acres was purchased. All these properties were let by the company, and the rents were brought into the accounts, and the company had no income from any other source. In July 1945 the company sold one house and one acre of land; later the farm was sold; in March 1947 the remaining twelve acres of land were sold; and in August 1947 the company sold another house.

Assessments for 1946–47, 1947–48, and 1948–49 were made in respect of the sums received on the foregoing sales, on the footing that the company was in those years a property-dealing company. The General Commissioners found 'that the company was a trading company, with trading profits', and they confirmed the assessments.

Held (affirming the decision of Mr Justice Wynn-Parry), that it could not be said that there was no evidence to justify the General Commissioners' finding, and that, therefore, the finding could not be disturbed.

In re Gibbs

In the High Court of Justice (Chancery Division)
May 9th, 1951
(Before Mr Justice DANCKWERTS)

Legacy duty – Abolition of legacy duty –Events after July 30th, 1949 – Appropriation of annuity fund – Ascertainment of residue – Legacy Duty Act, 1796, Sections 6, 8, 12 – Succession Duty Act, 1853, Sections 25, 32 – Apportionment Act, 1870, Section 2 – Finance Act, 1947, Section 49 (3) – Finance Act, 1949, Section 27.

The testator died on December 1st, 1946, and his will was proved on February 22nd, 1947. The will was made on April 24th, 1939, and a codicil on May 17th, 1940. The testator bequeathed a number of annuities, and directed his trustees to appropriate certain amounts of 2½ per cent consols to form annuity funds for the respective annuities; and after such appropriation, the residue was to be no longer liable to provide for the annuities.

The residue was bequeathed to the trustees upon trust for conversion, payment of debts, funeral and testamentary expenses, legacies and legacy duty and investment. The trustees were to stand possessed of the residue to pay £800 to the widow of a nephew, and to pay the balance of the residuary income among the nephew's children. The residue had not been ascertained.

It was contended by the trustees (1) that, in relation to the bequeathed annuities, an event within Section 27 (2) of the Finance Act, 1949, occurred each time a payment of the annuity was made; and that the instalments of duty that were payable when the annuities after July 30th, 1949, were paid were remitted by the subsection; and (2) that, in relation to the residue (including the widow's annuity), the ascertainment of the residue was an event which would take place after July 30th, 1949, and that no legacy duty was payable, therefore, on the residue.

Held, (1) that in view of the fact that an annuity accrues from day to day, and that appropriation of the annuity funds took place in 1947, no event within Section 27 (2) could occur in relation to the bequeathed annuities, which would give rise to the exemption under that subsection; (2) that the ascertainment of the residue was not an event within the subsection.

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Profits Tax Abatement

SIR, – With reference to 'Builder's' letter published in your issue of May 26th, the Inspector's contention that losses brought forward must be applied against adjusted profits for profits tax before abatement, was upheld in two recent cases: *Standage Power Couplings Ltd v. C.I.R.;* and *C.I.R. v. Homo Metals Radiant Boiler Co Ltd* – as reported in *The Accountant* dated April 21st, 1951.

Yours faithfully,
Plymouth. E. G. HOARE.

Revaluation of Assets

SIR, – The recent announcement by I.C.I. Ltd that manufacturing assets in the company, and its subsidiaries at home, have been revalued on the basis of replacement at construction costs current on January 1st, 1950, reduced by reference to the age of the assets and their remaining useful lives, must surely raise one of the most important topics of the day. Most industrial and manufacturing concerns are faced with a similar problem – that of determining an adequate yearly charge for depreciation and obsolescence under present conditions in order that adequate provision for replacement of fixed assets may be made.

It occurs to me that this problem must have been encountered in France many years ago as the franc has dropped in value from approximately 10*d* in 1914 to approximately one farthing today, and I am interested to learn whether any readers have any knowledge of the practices adopted in that country on this subject. It would also be of interest if any readers have any experience of the methods adopted by the Revenue authorities in that country with regard to allowances for initial allowances, wear and tear, etc.

Yours truly,
Liverpool, 13. A. H. AIKEN.

Social Club: Income Tax

SIR, – I have audited the accounts of a social club which consists of members and associate members, the former being the employees of a limited company and the latter mostly local people not being employees. Both members and associate members pay membership fees and the company granted a yearly amount equal to the income from full members (i.e. employees of the company).

The accounts make a distinction between capital and revenue receipts and expenditure; the capital receipts include donations and interest (net) on a loan to the company.

Capital expenditure includes equipment for football, cricket, bowling, etc., and also work done on the grounds and pavilion – the grounds being owned by the company.

What is this club's position for income-tax? Can relief be claimed as a charity? Or is the total income less expenditure taxable or only the portion relative to non-members – or to revenue surplus – or what?

Yours faithfully,

Glasgow, S4. CHAS. G. BUCHANAN.

Contract in Work in Progress

SIR, – 'Company Secretary' in your issue of May 5th, 1951, raises an interesting and important point.

Accounting should be the servant and not the master.

If the contract forms a substantial part of the turnover and expenditure of the year, and the results shown in the accounts for the year's workings would be misleading if the element of profit (or loss) were ignored, then it would appear (subject to any overriding circumstances which would make it inadvisable to do so) that the full sales value of the contract should be taken into account either as a sale or as work in progress, proper provision of course being made for expenditure after the close of the year.

If the expenditure on the contract forms only a small part of the year's operations, then the valuation can be carried out according to the usual accepted accounting principles.

The underlying idea, in my opinion, should be that the accounts, as far as it is possible, should give a true picture of the year's operations, and that the accident of a date should not be allowed to obscure this.

Yours faithfully,

London, E15. J. APPLEBY.

Relief Loss on Furnished Lettings

SIR, – I have recently had a case of a loss shown by furnished lettings, and have claimed under Section 27, Finance Act, 1927, to have the loss set off against an excess rent assessment, on the grounds that the Act states that the loss sustained in any transaction which would have been assessable under Case VI of Schedule D, shall as far as may be, be deducted from or set off against the amount of any profits or gains arising from any assessable transaction for that year under Case VI.

The Inspector of Taxes will not agree to the right of set-off as he states that excess rents are assessable under Case VI purely by virtue of Section 15, Finance Act, 1940, and not because they are profits or gains arising from a transaction within the meaning of Section 27 of the Finance Act, 1927.

Yours faithfully,

E. H. S.

Garage Accounts: Bonus System

SIR, – In answer to your correspondent, 'Blitz', whose inquiry under the above title appeared in *The Accountant* on May 26th, 1951, I introduced the under-mentioned bonus system into the factory of a client who employs approximately twenty persons on work which, from an accounting angle, is similar to motor repairs.

The system works on a series of four-weekly periods and the bonus is calculated as follows (using round figures):

	£
Gross wages of employees (excluding management) plus employer's contribution to National Insurance for four-weekly period, say	520
Add £10 per week to cover cost of supervision	40
	560
Add 150 per cent of above to cover overhead expenses and profit margin ..	840
Bonus figure	1,400
Charge to customer for work completed in period, say	2,000
Bonus calculated on	£600
	£
At 10 per cent on first £200	20
15 per cent on next £200	30
20 per cent on balance	40
Divisible between employees	£90

Approximately £4 10*s* 0*d each.*

This system is somewhat rough and ready but has worked exceptionally well in a small concern where the entire office work is carried out by one girl and the proprietor, who have neither the time nor the desire for involved records and calculations.

To prevent any holding back of work in order to increase the bonus in a future period, any debit balance which may arise where the figure for 'charge to customers' falls short of the bonus figure must be deducted from the 'charges to customers' figure for succeeding periods, until fully consumed before any further bonuses are calculated.

Yours faithfully,

Sheffield, 11. MAURICE H. PARKIN.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

TWENTY-SECOND NATIONAL COST CONFERENCE

The twenty-second national cost conference of the Institute of Cost and Works Accountants, which has been mentioned in previous issues, was held at the Dorchester Hotel, London, on Friday and Saturday last, June 1st and 2nd, and was attended by about 500 members and guests. The President, Mr Lawrence W. Robson, F.C.A., F.C.W.A., opened the conference with the presidential address, which we reproduce in full below.

PRESIDENTIAL ADDRESS

To be entrusted with the task of delivering a presidential address is both an honour and a very real responsibility. It affords the holder of the highest office of the Institute the opportunity to speak not only to his fellow members, but also to members of kindred professional bodies and to the community at large on problems of general interest to industry, which, at the same time, have a direct bearing on the professional techniques followed by the industrial accountant in the execution of his responsibilities.

Last autumn I had the privilege of sitting at the feet of Professor Gilbert Murray when he addressed a small group of Oxford undergraduates on the cause and effect of many of the principal economic and historical events that have taken place during the last seventy-five years. He described the first fifty years of the twentieth century as 'perhaps the most catastrophic period known to modern civilization' and concluded by suggesting that in view of the almost savage conflict of ideas now bedevilling human relationships throughout the world the odds were only slightly in favour of the survival of the best traditions of the Christian and democratic state.

The political and economic climates in which industry has to perform its essential functions in modern society are, in the broadest sense, largely beyond the control of industrial leadership. Yet the lack of balance in world relationships presents the industrialist with many serious problems with which he must grapple. For, in spite of the power of central governments over economics today, it is industrial management which is saddled with the responsibility of providing the increased production needed to support standards of living and offer a way of life that will maintain the allegiance of ordinary citizens to the ideals of Western democracy.

The Accountant's Responsibilities Today

In these circumstances, if one accepts the conception as I do, that modern accountancy is the nervous system of management, it follows that the services which the accountant himself must be able to render to industry are far more onerous than those undertaken by his predecessor in the period of comparative economic stability that preceded the First World War. The reasons for this are not far to seek. With the rapid development of scientific knowledge, industry itself has become infinitely more complex and over the past fifty years the size of industrial units throughout the industrialized countries of the world has grown to an extent undreamed of at the turn of the century.

This rapid development of scientific knowledge and its application to industrial productivity has also been accompanied by the evolution of powerful and complicated systems of central government, whose political and economic actions now tend to dominate the societies to which they are responsible. Governmental control of financial and economic policy both internal and external, has become the dominant feature of modern society and is perhaps an inevitable result of economic nationalism.

Functions of Modern Industry

I propose to draw your attention to the consequences of these developments in the hope that I may be able to demonstrate the challenge they make to the accountant of today. First of all we must be clear in our minds about the functions of modern industry and the conditions that are essential for its growth. Industry's main function, surely, is to multiply the wealth of society by producing both capital and consumer goods and, at the same time, to provide the members of that society with continuously improving working conditions and the opportunity for better social circumstances. This is not a natural law and these aims can only be achieved by the conscious efforts of government, management and workpeople.

In a competitive society, industry's excess of earnings over manufacturing costs or profit must be sufficient (*a*) to maintain its real capital resources, (*b*) to contribute to the requirements of local and central government, (*c*) to maintain a high level of earnings for those engaged in industry, (*d*) to service by way of dividend and interest the capital structure upon which it is based, and (*e*) to provide both internally by way of reserves and externally by way of wages and dividends the sources of future savings upon which industrial expansion depends.

It is perhaps topical to point out that since the date of the Great Exhibition in 1851 there has been a steady and continuous expansion of industry throughout the world that has led inevitably to a rise in the standard of living which, certainly for the peoples of the more advanced industrial countries, has been nothing short of miraculous. It is, however, also true that this progress has been temporarily interrupted by periodical depressions. The price of continued progress, as of liberty, is eternal vigilance and the accountant of today has a very definite responsibility in assisting the managements of the industry or industries with which he is connected to meet the obligations imposed upon them by existing economic conditions.

As accountants many of us are aware of the possibilities of comparatively new accounting techniques that are more commonly described as budgetary control and standard costs, but I regret to say that far too many managements of industrial enterprises are unaware of the extent of the benefit to be derived from their use. The accountancy profession, therefore, has much to do in advocating the adoption of these techniques and, at the same time, in setting standards of

training for future entrants to the profession which will ensure that all future accountants are fully aware of the importance of these developments.

The Work of the Anglo-American Council on Productivity

This is perhaps an appropriate moment for me to refer to the work of the Anglo-American Council on Productivity. And here I would like to mention particularly the report of the team of members of the recognized accountancy bodies and representatives of management which received much publicity through the good offices of the accountancy bodies themselves and also through the help of the Federation of British Industries, which have sponsored meetings of industrialists and accountants throughout the length and breadth of Great Britain at which the main recommendations of the report were considered.

I am, of course, fully aware that in Britain we have individual industries which are an example to the world. We can also take pride in the fact that British engineers and scientists have shown themselves to be in the forefront in originating new methods and new processes. Nevertheless, it is difficult to over-estimate the work of the Anglo-American Council on Productivity, and from my own experience I can quite confidently say that the more receptive minds in British industry are deriving substantial benefit from the study of an appropriate selection of these reports.

It would be churlish if we did not also pay a tribute to the broadmindedness and magnanimity of American industrialists in opening up their factories for inspection by a stream of visiting industrialists and technicians, who availed themselves of the opportunities thus offered and made accessible by the Anglo-American Council.

The lessons that can be drawn from the reports published by the Anglo-American Council on Productivity mainly concern those problems which could largely be solved by direct managerial action.

British Industry's True Costs of Production Understated

Today British industry is in the grip of a distorted economy brought about either by accident or by design through our national fiscal policy. In my considered judgment British industry is understating the true costs of production in both its costing statements and its published accounts. It follows, in my opinion, that it is the accountant's professional duty, not only to management, but also to the nation as a whole, to draw attention in no uncertain terms to the deleterious effect that this artificial statement of the costs of production is having on the current and long-term health of the national economy.

This distortion of industrial costs is caused by two main factors arising from the present national fiscal policy: first, the continuous development of inflationary conditions since the outbreak of war in 1939, and secondly the redistribution through the budget of national income by means of subsidies and other forms of social expenditure, that are, in effect, the payment of additional wages to large sections of the population.

Assessing Profits in Inflationary Conditions

There is no doubt that in professional circles two schools of thought exist concerning the accountancy methods of ascertaining profits in present economic conditions. On the one hand there are those who believe that there can be no departure from the so-called orthodox accounting principles of ascertaining profits; that in spite of a change in money values fixed assets must be written off during their working life on the basis of their original cost; and stocks must be valued at the commencement and close of the accounting period on the basis of cost or market value, whichever is the lower. This school of thought is usually in favour of creating out of the profits disclosed by these accounting techniques, policy reserves designed to provide funds to maintain intact the real capital of the industrial undertaking concerned.

This compromise method of trying to preserve capital intact may be practicable, but until the extra funds are recognized as part of the true costs of production by the accountancy profession and by industry generally they will not be accepted as an allowable deduction from profits assessable for taxation. The present level of taxation absorbs approximately 60 per cent of industrial profits and it is from the meagre balance that adequate provision must be made for wasting assets at replacement values or stock equalization resources created to finance the replacement of stocks and materials at inflated values.

On the other hand, the second school of thought, which is supported by an increasing number of industrialists, maintains that a return to the pre-1939 price level is highly improbable if not impossible. It believes, therefore, that taxable profits should be ascertained in the year in which they are earned after providing for the depreciation of fixed assets on the basis of the replacement values, and for the loss of working capital caused by the replacement of stocks at inflated prices, through appropriate allowances for taxation. Incidentally, this difficulty of maintaining real capital is not only a current problem caused by the acute inflationary conditions resulting from the world-shaking events of the past decade, it is a continuing one for, subject to the interruptions of short deflationary periods, the value of money in real terms has always declined.

The recent decision of Imperial Chemical Industries to revalue the whole of its fixed assets at current replacement values, thereby giving rise to a depreciation charge on asset values some £96 million higher, is a powerful illustration of the immensity of this problem. The Millard Tucker Committee found it beyond them and there is no doubt that forces are gathering from many directions to furnish the Royal Commission on Taxation with convincing evidence in the hope of securing Treasury consent to a more realistic concept of taxable industrial profits.

False Position given by Orthodox Methods

It is true to say that it is now possible to prepare completely orthodox annual accounts for taxation which show a profit where, in fact, losses in terms of real capital have been severe. The taxation of this profit at current penal levels often substantially reduces the capital resources of the undertakings concerned. In these circumstances a firm can usually follow only two courses; reduce its scale of operations or raise new capital – often by borrowing from the bank. It is clear that this trend, if continued, could cause a grave state of affairs in British industry.

I do not underestimate the difficulties of developing accounting formulae which would adequately safeguard

the Treasury from abuse should the Royal Commission recommend a change in orthodox accounting principles for ascertaining taxable profits. Nevertheless, it is a fact that accountants in well-known industrial undertakings are at this very moment applying perfectly sound principles of accountancy problems of cost ascertainment solely as a basis for price-fixing policy. The responsible accountant who ignores the effect of inflation on the cost of stock replacement and on the replacement costs of fixed assets is failing in his obligations to management.

It is interesting to note that other countries have attempted to prevent this distortion of industrial costs arising from an undercharge to profits and the replacement of fixed assets by developing taxation allowances based on indices; from these indices wear and tear allowances relating to replacement values are calculated to avoid what is in effect a taxation of capital. Surely the problems presented by P.A.Y.E. were no greater than those which the Treasury now faces in the task of devising realistic depreciation allowances for the replacement costs of fixed assets.

For the Treasury the question of stocks is the less serious of the two problems, since the reduction in taxable revenue would be limited to the increased cost of replacement of the physical quantity of the opening stocks. The stock equalization reserve would, of course, be brought into charge for taxation if prices fell. As I have said, it would be absurd to underestimate the difficulties involved, but it is impossible to defend a national fiscal policy which, if persisted in, will inevitably impair the financial structure and thereby the efficiency of British industry.

Wages Subsidized by Welfare Payments

The other main economic factor causing the understatement of the costs of production derives from our policy of augmenting the wages and salaries paid direct by industry with large subsidies and welfare payments raised by penal levels of taxation. It is probably no exaggeration to say that in the aggregate these indirect wages and salaries now amount to nearly £1,000 million – covering an expenditure of £400 million on health, £400 million on food subsidies, and £150 million on housing and local grants – which is approximately 10 per cent of the national income and one-quarter of the total budget. It is interesting to note that the total expenditure on social services for 1951–52 is estimated at £1,615 million, while the receipts from income-tax are estimated at £1,624 million.

Effects of the Adverse Terms of Trade

Since the end of the last war the terms of trade have moved steadily in favour of the primary producing countries, and this situation has been severely aggravated since the outbreak of the fighting in Korea. In spite of all the efforts we have made to balance our oversea payments we have been unable to offset the damaging effects of this adverse trend. During the last six years we have as a nation followed a policy of austerity based on wage and dividend restraint, but which, we are told, could not prevent the drastic devaluation of the £ sterling against the dollar. At the same time, all sections of the community have been subjected to direct and indirect taxation of almost unbearable severity.

Although at the end of the war it was to be expected that the conversion of our industry to peacetime requirements would not be without its attendant difficulties, it was surely reasonable to expect that after six years of full employment and with an appreciable increase in our industrial productivity and in our exports we should be in a happier position than that in which we now find ourselves. We apparently achieved an overall surplus on our balance of trade for 1950, but for the first four months of this year the adverse balance on visible trade disclosed by the Board of Trade amounts to about £305 million, and it seems that this position must further deteriorate once the rearmament programme gets under way.

Export Prices Depressed by Domestic Policy

In these circumstances and in view of the fact that foreign countries and even our own dominions appear to have benefited appreciably from the immense increase in the price of raw materials, we should be most careful to see that our industrial costs are in no way distorted by our internal fiscal actions. Because of the enormous inflationary pressure caused by the rise in the cost of essential imports we must, indeed, consider the re-orientation of our national economic policy by which the principle of wage restraint has been made acceptable only by vast social expenditure on subsidies and other welfare payments. For this policy has, in effect, led to a serious understatement of our true industrial costs, and must have caused a substantial underpricing of British exports. The present price relationship between British exports and primary products is such that in return for one Jaguar XK120 motor-car we receive four and a half bales of fine merino wool, that is to say, in return for 3,896 lb. of magnificent motor-car we get 1,125 lb. (one-third of its weight) of wool.

Many of our imported raw materials are costing five to ten times the 1939 prices, whereas we are obtaining not more than two and a half to three times the 1939 prices for the manufactured goods which are now being sent abroad in far larger quantities than in 1939. The attempted British policy of restraining wages and stabilizing domestic monetary costs could only work if the Government's proposals for world commodity boards designed to establish stable and equitable price levels for basic raw materials proved acceptable to both manufacturing and primary producing countries. The failure to achieve this stability in the prices of basic raw materials has made nonsense of the policy of wage restraint that is coupled with high taxation and lavish subsidies. Besides being an internal benefit these subsidy payments have become also an export subsidy which further aggravates the unfavourable terms of British trade and which is, indeed, a serious contributory factor in the deterioration in our balance of payments.

Huge Budget Saving Possible

The abandonment of this aspect of the policy of wage restraint would relieve the Budget of a sum of not less than £500 million, and the trades unions could then resume their proper function of agreeing with the organized employers what the true level of wages should be. Such a change in our fiscal policy would make possible a substantial reduction in taxation. Prices would certainly rise, but if the experiences of the Americans with a high wage policy is any guide, high wages would make managements value more highly the services of their employees and would give them

an added incentive to improve production efficiency. The probable result would be that prices would not rise as much as wages and salaries because of the increase in productivity.

It might, of course, be argued that, to the extent that we are able to pass on such wage increases in the form of increased prices for exports there would be an improvement in the terms of our foreign trade, and this, surely, would not be inequitable in the light of recent trends.

The Dutch Government, it is interesting to note, have already reduced their food subsidies appreciably and have at the same time recommended selective wage increases throughout industry. It is also noteworthy that the Swedish Government have encouraged a substantial rise in prices for their exports of timber and wood pulp to compensate for the increased prices of raw materials from other countries.

It seems that the British Government has taken upon itself the task of directing our economic life without having either in the Civil Service or in its own ranks intellects sufficiently versed in the complexities of industry and commerce to guide them on the effect of their policies on the industrial machine. The sudden shocks administered by devaluation and, more recently, by the abandonment of initial wear and tear allowances are cases in point. If the Government of the day proposes to take full responsibility for the economic affairs of the country it would, in my view, be well advised to consider setting up immediately a national economic council representative of our industrial and commercial life.

A change in fiscal policy of the kind I have suggested would obviously need to take into account also the current levels of pensions and of interest rates, but surely we cannot as a nation continue to isolate ourselves from economic facts. There is, moreover, another aspect of our present policy which all accountants must agree militates against high productivity at all levels of the social scale: this is the question of taxable capacity, which is a very real problem, and it seems certain that the 1952 Budget will be much more severe than this year's if present policies are continued.

It is clear that the problems with which I have dealt in this presidential address are not as widely appreciated as they should be and I hope I will be forgiven if I say that it seems to me that the body of men who are most fitted to press for action on this subject are those accountants who are working in the closest possible relationship with the leaders of industry upon whom the final responsibility rests.

If we as accountants fail to recognize these problems and fail to present them forcibly in government circles and to the leaders of British industry, we shall all be guilty of the cardinal sin of allowing under-costing in British industry to continue, and, thereby, in the last analysis, of contributing to policies which can only lead in the long run to the dissipation of our capital resources.

[*This concluded the President's address.*]

ACCOUNTING FOR CHANGES IN PRICE LEVELS

Planned study by the branches has been a prominent feature of the Institute's research work for some years. The subject chosen for 1950 was the effect of changing price levels on the presentation of accounting statements and on cost ascertainment. The reports of the various branches were co-ordinated by the Research and Technical Committee who, after further work on the subject, produced the draft paper considered at the first technical session following the presidential address.

The problem of changing price levels, it begins by pointing out, is not new. Fluctuations both up and down have been experienced in the past but the present upward trend shows every sign of continuing. In such circumstances, accounting statements must show: (*a*) how much profit must be retained in the business to finance the replacement of its existing assets, (*b*) whether the real value of the capital originally contributed has been maintained continuously during the life of the business and whether the real profits earned have increased, decreased or remained constant; and (*c*) the financial position of a business in terms of current money values. This information should enable management to ensure that real capital is in fact maintained and not distributed as money profits; to ascertain and disclose the real trend in profits earned; and to make future plans based on current, not historical, conditions.

The paper sets out principles and techniques which, if adopted in the light of economic facts, will produce the above information. The inclusion in costs of the replacement cost of materials used and also of depreciation calculated on the replacement cost of fixed assets is discussed and the means by which this could be done are fully described. The paper makes clear that, so far as making provision to meet replacement of assets at increased prices is concerned, there is no need to revalue assets in the balance sheet.

The circulation of this paper was limited to those members of the Institute attending the conference, but it is anticipated that a publication dealing with the problems reviewed in it will be issued later this year.

The Right Hon. George R. Strauss, M.P., Minister of Supply, was the guest speaker at a luncheon on the Friday at which other guests included:

The Right Hon. the Lord Piercy (*Director, The Bank of England, Chairman, Industrial and Commercial Finance Corporation*); Sir Charles Bartlett (*Managing Director, Vauxhall Motors Ltd*); Sir John Maud (*Permanent Secretary, Ministry of Education*); Sir Vincent Tewson, (*General Secretary, Trades Union Congress*).

THE COST ACCOUNTANT AND PRODUCTIVITY

In the afternoon there was an open session on the subject of 'The cost accountant and productivity' at which the chairman was Mr H. Wilmot, C.B.E., F.C.W.A., managing director of Beyer Peacock & Co Ltd.

Sir Charles Bartlett, managing director of Vauxhall Motors Ltd, representing the view of top management, gave the first of three papers on this subject. He said that he regarded management as an aggressive, constructive opinionated thing, requiring all the help and guidance it could get in forming these opinions which are its directive force. It was concerned with men, methods and opportunities and, he said, certainly all three were involved in productivity increases. What he required from an accountant was a balance sheet,

drawn up in advance, evaluating the intangibles and contributing both to setting a policy and formulating a plan. The accountant who could produce this information regularly was on the way to becoming a director for the day of the nominal, or decorative, director, was fading fast and functional or departmental directors were establishing a recognized place for themselves in industry today.

Productivity at low cost, Sir Charles continued, is not an end in itself but a means towards a higher and more pleasant standard of living. Productivity cannot go with a restricted market. The development of price-fixing and the elimination of healthy competitive rivalry were foreign to our way of trading and should be eschewed by the ideal cost accountant whose contribution, Sir Charles thought, was largely to be found in his ability and willingness to form part and to be a welcome member, of a well-balanced team. In team work his best qualities would develop, some of them, perhaps, unsuspected either by him or by his associates until put to the test.

In the second paper, Mr J. Halifax, production superintendent at the High Wycombe works of Hoover Ltd, dealt with the service provided by the cost accountant to production management and discussed cost accounting as a tool of management under the three main headings of increase in productivity per man-hours, utilization of direct materials, and efficient utilization of overheads. He complained that the detailed costs of certain important operations are not given prominence, a notable example being handling, the cost of which is often lost in the mass of overheads.

After giving practical examples of the effective use of standard costing in improving industrial efficiency, he went on to speak of budgetary control, stressing the need for early publication of information giving actual achievement as compared with the budget target, for the joint purposes of maintaining interest and taking prompt action where necessary.

He concluded by summarizing his recommendations as follows:

(1) The speedier publication of performance measured against target; (2) control material standards against actual, by giving information at regular intervals of variances from standards; (3) emphasize to the appropriate departmental heads, including the directors, the values to be obtained from material economy; (4) cost department staff to move around the factory; (5) employ accountants with experience in production engineering; (6) reveal, weekly, six items of scrap with a heavy cost loss, so that remedial action can be taken; (7) give detailed costs of operations such as material handling, which are at present buried in the total figure for overheads; (8) spend more time indicating how money can be saved, as well as where it has gone; (9) indicate in terms of cost the efficiency of indirect labour; (10) give cost of flow-line breakdowns; (11) correctly allocate responsibility for overstandard operations; (12) cost department to follow up quickly any decline in efficiency for which they are responsible by having established standards which have been set too loosely; (13) provide a more scientific set of budgetary control targets; (14) less detailed budgetary control information, presented more quickly, even at the cost of some accuracy; (15) advise when scrapping of old plant and tooling would seem advisable, and investment in new would be economical; (16) give individual hourly cost rates to expensive machines.

Speaking on costs and the supervisor, Mr C. J. Keedy, production assistant manager at the Royal Ordnance Factory, Glascoed, who gave the third paper, said there was unanimity in the various grades of industry on the necessity for reducing costs but the value of such unity might be lost if foremen lived and worked in isolation. Consultation must be maintained at all levels of management. Figures, he said, can be cold and meaningless to the untrained and it is the responsibility of higher management to ensure that the supervisor is encouraged to become 'cost conscious'.

With regard to machine utilization, Mr Keedy said that to ensure that a check is kept on the fullest possible use of men and machines, the supervisor must have a daily or weekly statement of 'lost production time'. This statement should be analysed to show the causes of lost time and should cover the various operations within the shop. In this form, it would prove of immense value to the supervisor in his efforts to remove the causes of delay and interruption in the flow line. Operatives should be encouraged to claim 'waiting time' for hold-ups which are outside their control. This would keep management on the alert and show up any weakness in the organization.

Mr Keedy recapitulated the main points of his speech thus: (*a*) A supervisor should be consulted on the method of cost control which he will be called upon to operate within his shop. (*b*) Production supervisors prefer to be concerned with 'man-hours' and 'material quantity' rather than with money values. (*c*) Production supervisors need to have the job broken down into the various operations and the estimated man-hours and material quantity shown against the operations before the main production starts. (*d*) Production supervisors should have targets set for their indirect costs. (*e*) Graphs showing the trend of efficiency and power usage are of considerable assistance to production supervisors. (*f*) Supervisors should be encouraged to develop 'cost consciousness'. (*g*) Accountants must have more knowledge of the supervisor's many responsibilities.

Banquet and Annual General Meeting

In the evening the Institute held a banquet, among the guests being

The High Commissioner for India; The Deputy High Commissioner for the Union of South Africa; The Counsellor to the High Commissioner for Pakistan; The Right Hon. Lord Barnby (*Past-President, Federation of British Industries*); The Right Hon. Lord Latham (*Chairman, London Transport Executive, President, The Association of Certified and Corporate Accountants*); Sir Graham Cunningham; Sir Ronald Matthews; Sir Frank Nixon (*President, London Chamber of Commerce*); Sir Edward Wilshaw (*President, The Chartered Institute of Secretaries*).

The banquet was followed by dancing and a cabaret.

The thirty-second annual general meeting was held on the Saturday morning, with the President, Mr Robson, in the chair. The report and accounts for 1950 were adopted.

The officers for the ensuing year were elected as follows:

President: Mr Arthur William Muse, F.C.W.A., F.A.C.C.A.

President-Designate: Mr Sidney Charles Tyrrell, F.C.W.A.

Honorary Treasurer: Mr George Nicholson, F.C.W.A.

A brief outline of the careers of the new President and President-Designate appears elsewhere in this issue.

The conference, which continued the success of its predecessors, officially closed at the end of the annual general meeting.

NOTES AND NOTICES

Personal

MESSRS WATTS, GREGORY & CO, Incorporated Accountants, of Cardiff, announce that Mr GEOFFREY LLEWELLYN CROOM, A.S.A.A., has been admitted into partnership as from April 1st, 1951. The style of the firm will remain unaltered.

MESSRS FINCHETT THORNTON & CO, Chartered Accountants, of 44 High Street, Runcorn, and at Liverpool and Frodsham, announce that Mr GEOFFREY FINCHETT THORNTON, F.C.A., ceased to be a partner as from May 31st, 1951. Mr FRANK CHADWICK, A.C.A., will continue to practise under the name of FINCHETT THORNTON & CO, Chartered Accountants, at the same addresses as hitherto.

MESSRS CHARLES HENRY SYMONS & CO, Chartered Accountants, of Devonshire House, Barnstaple, Devon, and at Bideford, Ilfracombe and Great Torrington, announce that Mr VYVYAN RAY SYMONS, F.C.A., F.C.I.S., retired from the partnership on May 31st, 1951, in order to devote himself to other business interests. The continuing partner Mr FRANK HILSON SMART McDAVID, C.A., was joined in partnership on June 1st, 1951, by Mr GEOFFREY FINCHETT THORNTON, F.C.A., and together they will continue the practice under the name of CHARLES HENRY SYMONS & CO, Chartered Accountants, at the same addresses as hitherto.

MESSRS KEMP, CHATTERIS & CO, Chartered Accountants, of 1 Throgmorton Street, London, EC2, announce that they have taken into partnership Mr G. F. ANSELL, A.C.A., Mr C. G. JOHNSTON, A.C.A., and Mr J. F. TAYLOR, A.C.A., who have been associated with them for several years.

MR H. F. EASTERBROOK, A.S.A.A., announces that he is now practising at 98 Union Street, Torquay, Devon.

MESSRS PEACOCK & HENRY, Chartered Accountants, of 111 Union Street, Glasgow, C1, announce that as at June 1st, 1951, they assumed as partners Mr DUNCAN MORRISON PAUL, C.A., and Mr DAVID LOVE MOFFAT, C.A. They have incorporated the accountancy practice of Mr DUNCAN PAUL, C.A., who carried on business under the firm name of WM. LAMONT & CO, Chartered Accountants and Stockbrokers. Mr D. M. PAUL is the son of Mr DUNCAN PAUL with whom he served his articles and with whom he has since been an assistant. Mr D. L. MOFFAT has been with Mr DUNCAN PAUL's accountancy department since 1919 and has been his principal assistant for many years. Mr DUNCAN PAUL will continue to carry on the stockbroking business in the name of WM. LAMONT & CO, at 45 Renfield Street, Glasgow. The firm name of PEACOCK & HENRY remains unchanged.

Professional Note

Mr L. F. Daniels, M.A., A.C.A., has been appointed a director of English Clays Lovering Pochin & Co Ltd.

Hospital Finance

OFFICIAL INQUIRY REFUSED

In the House of Lords on May 30th last, the Marquess of Reading asked the Government whether they would appoint such a committee as they might consider appropriate to inquire into, and report on, the operation of the system under which the finances of hospitals coming within the scope of the National Health Service Act, 1946, were at present administered, and moved for papers.

In the course of his speech, he said that one of the great difficulties at the moment in dealing with this matter of hospital costs is that there is no uniform costing standard.

Lord Shepherd, in the course of his reply for the Government, said:

'. . . The Central Health Services Council has been much interested in another point which has been mentioned by the noble Marquess – namely, the costing system on a bed basis. During the present year, at the request of that Council, King Edward's Hospital Fund for London and the Nuffield Provincial Hospitals Trust for the provinces have been making some investigations in a selected number of hospitals.

'Preliminary work was carried out by these bodies last year, and departmental accounts on a basis adapted to the circumstances of individual hospitals will be prepared during the year 1951–52 – that is the present year – for 108 separate hospitals of widely different types controlled by four boards of governors and nine hospital management committees.

'So whilst it is true that, at the moment, we have not in operation the costing system of which the noble Marquess spoke when he dealt with King Edward's Hospital Fund, we are in the process of making the necessary inquiries to see whether that system can be applied all round.

'It must be recognized, however, that in the present circumstances of the hospital service conditions vary so much from hospital to hospital and from district to district that a general costing system such as he has in view might not be altogether practicable.

'From what I have said, it will be apparent that in regard to the hospital service inquiries appear to be the order of the day. I ask noble lords to be content with that for the time being and to wait the results of the discussions that are now taking place. At the conclusion of the period, should there appear to be need of further inquiry, I am sure that the Minister would be prepared to give every consideration to the claim.'

The motion was, by leave, withdrawn.

The Chartered Accountant Students' Society of London

Members of the Society are reminded that the London Stock Exchange building is now open to the public on Saturday mornings.

In Parliament

Income Tax Returns: Amendments

Mr H. Brooke asked the Chancellor of the Exchequer whether, under his regulations, a taxpayer who, after making his income-tax return, subsequently ascertains that he would have been allowed to claim a larger allowance for expenses incurred than he had actually claimed, is given the right to amend his return accordingly.

Mr Jay: Yes. A taxpayer who finds that he has claimed in his return an insufficient allowance for expenses may make an amended return. If an assessment has already been made, he may appeal against it, and if the time for appealing has expired, he may claim relief within six years of the end of the year in which the assessment was made if he has been overcharged because of some error or mistake in his return.

Hansard, May 31st, 1951. Written Answers, Col. 42.

Income Tax

The Income Tax (Employments) (No. 2) Regulations, 1951

In Statutory Instrument 1951, No. 836[1], which came into operation on May 25th, 1951, Regulation 2 corrects a verbal error in the Regulations covering Pay-as-you-earn. Regulation 3 rescinds the Pay-as-you-earn Regulation governing priority in bankruptcy, winding-up, etc., which the Law Officers of the Crown have advised is *ultra vires*. Regulations 4 and 5 amend the special Pay-as-you-earn system which is operated in the Merchant Navy. At present, when a seaman is employed 'off Articles' on a ship in port, tax is not deducted from the pay for the first month of such employment; Regulation 4 provides for tax to be deducted in future. Regulation 5 provides for deduction of tax from seamen's overtime pay, which at present is not subject to deduction.

[1] H.M.S.O., 2*d*.

American Institute of Accountants

Mr William Hope, of Bridgeport, Conn., has been nominated to serve as president of the American Institute of Accountants for the 1951–52 term. He is a former State Treasurer of Connecticut and has been president of the State Board of Accountancy, the National Association of Certified Public Accountant Examiners, and the Connecticut Society of C.P.A.s. A member of the American Institute since 1927, he has served as its vice-president, a member of its governing Council and Executive Committee, and has been chairman of its Board of Examiners and many committees including those on budget and finance, by-laws and co-ordination of state and national organizations.

The names of Mr Hope and of designees for vice-presidents and treasurer will be presented by the official nominating committee to the sixty-fourth annual meeting of the National Professional Society of Certified Public Accountants to be held in Atlantic City from October 7th to 11th, 1951.

Ministry of Labour and National Service

The number of vacancies and registrants on the books of appointments offices of the Ministry of Labour and National Service for certain professions and occupations are detailed in a recent issue of the *Ministry of Labour Gazette*. Under the heading 'Accountants', there are 236 vacancies and 1,039 registrants, of whom 862 are employed but wish to change their positions, and 177 are unemployed. The 'remarks' column states that

> 'Vacancies in industry and commerce are for young men. Vacancies in the profession are not popular with qualified men, who are mainly in upper age ranges. Many registrants are immobile or without experience in particular industries.'

International Chamber of Commerce

Biennial Congress at Lisbon

The biennial congress of the International Chamber of Commerce – the main theme of which will be the study of various aspects of 'Economic development in the period of rearmament' – is to be held in Lisbon from June 11th to 16th. A British delegation of forty-eight members will be among the 700 business leaders from thirty different countries who are expected to attend the congress.

Ninth International Management Congress

The Ninth International Management Congress will be held in Brussels from July 5th to 11th, under the auspices of the International Committee of Scientific Management (C.I.O.S.). Introductory reports on twelve chosen subjects will each be presented by a *rapporteur* from the country responsible for the preparation of the report, to be followed by a panel discussion. Afterwards, questions will be invited from the audience.

Papers for which Great Britain is responsible deal with 'Structure of large enterprises' and 'Recent developments in quality control'. Further information about the Congress may be obtained from the British Institute of Management, 8 Hill Street, London, W1.

The Incorporated Accountants' Students Society of London and District

Southend-on-Sea and District Branch

At the annual general meeting of the branch, held on June 1st, the following officers were elected:

Chairman: Mr L. H. Brazier, A.S.A.A.; *Vice-Chairman:* Mr J. A. O'Connor; *Committee:* Messrs L. W. Free, F.S.A.A., S. Porter, A.S.A.A., C. Campbell, J. Porter, J. R. Rickard, N. V. Cluett; *Secretary:* Mr E. H. R. Martin, F.S.A.A.

The Accountant 1883

Will any reader who has for disposal a bound volume or loose copies of *The Accountant* for 1883 kindly communicate with the Editor of *The Accountant*, 4 Drapers' Gardens, Throgmorton Avenue, London, EC2?

Association of Certified and Corporate Accountants

ANNUAL CONFERENCE, 1951

The annual conference of the Association of Certified and Corporate Accountants is this year to be held from June 23rd to 27th at *The Palace Hotel*, Buxton.

The official programme commences with the President's reception for members and guests at 8 p.m. on Saturday, June 23rd. At 10.30 a.m. on Monday, June 25th, the conference will be formally opened by the Mayor of Buxton, followed by the presidential address.

Two papers will be presented during Monday's sessions; one by Mr F. B. Reynolds, A.C.I.B., will deal with 'The accountants' liability for negligence'; the other by Mr Cecil A. Newport, F.A.C.C.A., F.T.I.I., will be on 'The accountant, the client and the Revenue'. An official reception by the Mayor and Mayoress of Buxton will be held in the evening.

On Tuesday a paper on 'The valuation of commercial assets' will be presented by Mr Leo Kennett, LL.D., B.COM., A.A.C.C.A. In the evening the conference banquet and dance will be held at *The Palace Hotel*. The conference will be formally closed at 5 p.m. on Wednesday.

A programme of social events and entertainment, including motor coach tours and a visit to the Playhouse has also been arranged, and on Thursday there will be an all-day visit to Nottingham, where there will be an official reception held by the Lord Mayor, followed by a tour of the City Hall. Later, a luncheon in honour of the Lord Mayor will take place at *The Black Boy Hotel*.

The Association is being assisted with the arrangements for the conference by the Nottingham, Derby and Lincoln, Manchester, and Stoke-on-Trent district societies, and members are invited to take friends.

The Annotated Tax Cases

Part No. 8 of Volume XXIX of *The Annotated Tax Cases*, edited by Mr Roy Borneman, of Gray's Inn, Barrister-at-Law, which is published today, completes the volume and contains reports (with notes on the judgments) of the following cases: *In re Dowse* (Ch.D.); *Godfrey Phillips Ltd v. The Investment Trust Corporation Ltd, Friends Provident and Century Life Office and Collard* (C.A.); *Crystal Palace Trustees v. The Minister of Town and Country Planning* (Ch.D.); *Harry Ferguson (Motors) Ltd v. C.I.R.* (K.B.D. in N. Ireland).

An index to the complete volume, which includes a separate index to subjects, as well as that to names of cases is also now available. The annual subscription to *The Annotated Tax Cases* is 30*s*, the publishers being Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

Accountant Elected Mayor

At the recent annual meeting of the Hampstead Borough Council, Mr Harold G. Judd, C.B.E., C.A., was elected Mayor of Hampstead. Mr Judd, who is senior partner in the firm of Mann, Judd & Co, has been a member of the Hampstead Council for eight years and was chairman of the borough Finance Committee. During the First World War he worked for four years at the Ministry of Munitions and for his services was awarded the C.B.E. In the Second World War he was Controller of Salvage.

A skilful amateur artist, Mr Judd is vice-chairman of Hampstead Artists' Council.

Incorporated Accountants' Newcastle upon Tyne and District Society

ANNUAL MEETING

The annual meeting of the Incorporated Accountants' Newcastle upon Tyne and District Society was held in Newcastle on May 30th, 1951, when Mr H. S. Parkin, F.S.A.A., of Sunderland, presided over a large attendance of members and students.

Congratulating Mr C. P. Barrowcliff, F.S.A.A., of Middlesbrough, on his election as President of the Society of Incorporated Accountants and Auditors, Mr Parkin said that this is the first time a member of the Newcastle District Society has attained this high honour.

The fifty-fourth report records another year of activity. Membership of the District Society at March 31st last totalled 615 – 251 fellows and associates and 364 students. A district taxation committee has been formed and plans to meet at intervals; it has submitted a memorandum to the Taxation Sub-Committee of the Society.

Mr Parkin installed Mr T. Jewitt, F.S.A.A., of Stockton-on-Tees, as President of the District Society for 1951–52 and Mr J. E. Spoors, F.S.A.A., of Newcastle, and Mr C. C. Akers, F.S.A.A., of West Hartlepool, as Vice-Presidents. The retiring members of the Committee, Messrs. A. J. Ingram, F.S.A.A., and G. Blakelock, F.S.A.A., of Sunderland, C. C. Akers, F.S.A.A., of West Hartlepool, F. Wilcock, F.S.A.A., and P. Lazzari, F.S.A.A., of Newcastle, and N. Postle, F.S.A.A., of Consett, were re-elected.

More Television Licences

In previous years the sales of television licences have declined after the Christmas peak. This year, however, sales have continued at a high rate, for since the end of November 1950 more than a quarter of a million new licences have been issued. At the end of April last 825,600 television licences were current.

The Chartered Accountants Students' Society of Edinburgh

On Monday, May 28th last, the Chartered Accountants Students' Society of Edinburgh held their fifty-fifth annual general meeting to consider the report of the committee for the year ended March 31st, 1951. The adoption of the report was moved by Mr C. GORDON SMART, C.A., Senior President, who said that the activities of the Society during the past year had included test examinations prior to the professional examinations, a number of well-attended lectures, several industrial visits, inter-office golf and tennis competitions and the annual ball. The report shows that the total membership has increased to 770, and draws the attention of members to the 'exhibits' in the library, which include process of arbitration; sederunt book of a judicial factory; set of curatory accounts; process and documents in a sequestration settled by composition contract; set of limited company forms and returns; and a set of income-tax forms.

The following office-bearers were elected for the 1951–52 session:

Senior President and Hon. Editor of 'Joint Transactions': Mr H. Forbes Murphy, C.A.

Junior President: Mr K. N. McPherson, C.A.

Hon. Auditor: Mr W. N. K. M. Crawford, C.A.

Hon. Secretary and Treasurer: Mr Hugh McMichael, C.A.

Golf

The annual golf meeting of the Association of Scottish Chartered Accountants in London was held on May 31st at Walton Heath Golf Club. The results were as follows:

PAST PRESIDENTS' CHALLENGE CUP

Winner: J. Robertson, 88 — 14 = 74; *Runner up:* D. Galloway, 87 — 6 = 81 (winner of 2nd prize decided on best 9 holes home); J. W. Johnstone, 87 — 6 = 81; H. G. Inglis, 94 — 11 = 83; V. M. Dean, 104 — 20 = 84; D. W. Ness, 90 — 6 = 84; J. G. Brown, 89 — 4 = 85; S. Stevenson, 101 — 16 = 85; C. D. Gairdner, 94 — 9 = 85; J. B. Peat, 95 — 10 = 85; J. G. Girdwood, 91 — 6 = 85; A. Inglis, 97 — 9 = 88; E. Milne, 91 — 3 = 88; R. T. H. Scott, 105 — 16 = 89; W. J. Findlay, 107 — 18 = 89; D. McKelvie, 106 — 16 = 90; T. Lister, 103 — 13 = 90; D. C. Reid, 108 — 18 = 90; J. Gilchrist, 101 — 10 = 91; T. Douglas, 96 — 5 = 91; W. Hunter, 97 — 5 = 92; T. G. B. Matheson, 122 — 18 = 104.

BOGEY CHALLENGE CUP

Winners: W. J. Findlay and J. Robertson, 1 down; *Runners up:* E. Milne and D. McKelvie, 4 down (won on best last 6 holes home); J. B. Peat and R. T. H. Scott, 4 down; C. M. Scroggie and D. W. Ness, 5 down; R. Jardine and C. M. Small, 6 down; D. C. Reid and D. B. Jones, 6 down; J. W. Johnstone and H. MacDougall, 7 down; S. Stevenson and J. Gilchrist, 8 down; T. Lister and T. Douglas, 8 down; C. D. Gairdner and T. G. B. Matheson, 8 down; D. Ross and S. S. Berlanny, 9 down.

District Auditor, England: Finance

THE FINANCIAL STATEMENTS (DISTRICT AUDIT) AMENDMENT REGULATIONS, 1951

The 'explanatory note' to Statutory Instrument 1951, No. 922,[1] which came into operation on May 28th, 1951, reads:

'The Financial Statements (District Audit) Regulations, 1938, prescribed a form of financial statement for submission by specified authorities to district auditors at every audit of their accounts.

'These regulations require that form to be used by all authorities concerned with district audit unless other forms are specially prescribed for their use.'

[1] H.M.S.O., 2*d*.

Recent Publications

IMPORTANT SECTIONS of the Bills of Exchange Act, 1882; Factors Act, 1889; Sale of Goods Act, 1893; Carriage by Air Act, 1932; Hire Purchase Act, 1938; Limitation Act, 1939; Law Reform (Frustrated Contracts) Act, 1943; Bank of England Act, 1946; Borrowing (Control and Guarantees) Act, 1946; Industrial Assurance and Friendly Societies Act, 1948; Export Guarantees Act, 1949. 84 pp. $8\frac{1}{2} \times 5\frac{1}{2}$. 3*s* 6*d* net. Textbooks Ltd, London.

KEY TO INCOME TAX AND SUR TAX, 1951–52, Edited by Ronald Staples. 223 pp. $8\frac{1}{2} \times 5\frac{1}{2}$. 7*s* 6*d* net. Taxation Publishing Company Ltd, London.

Our Weekly Problem

NO. 47: FARMING TECHNIQUE

'Mr Farmer has bought a farm', said Mr L. U. Sidate.

'I thought he was managing director of Cats Cradles', said Charles.

'So he is', said Mr Sidate, 'but it is a popular hobby these days, and he thought he had inherited the technique from his ancestors. He offered a neighbouring farmer a field to graze 20 cows and they cleared the field in three weeks. Another field of the same size was cleared by his other neighbour's 21 cows in a fortnight. He then worked out how many cows to buy so that the two fields would maintain his herd during the summer months.'

What was the number of Mr Farmer's herd?

The answer will be published next week.

ANSWER TO NO. 46: PREPARING THE BALANCE SHEET

The balance sheet could be expressed:

	£
Fixed assets	*xy*,000
Debtors	*xy*,000
Stock	*yx*,000
Investments	*yx*,000
Goodwill	*x*,000
Total	*xxx*,000
or	*yyy*,000

from which it will be found that *x* is 1 or 2 but as the goodwill is over £1,000, *x* must be 2 and *y* 8.

The Accountant

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THE FINANCE BILL, 1951: THE COMMITTEE STAGE – I

THE first three days of the Committee Stage – the remainder of which will be discussed next week – were characterized by an exceptional seriousness of intent and evenness of temper. This was manifest even during the whole-night sitting, which lasted until noon on Friday, June 8th.

Income-tax and the value of money

Clause 13, which deals with the charge to income-tax, provided the most important and interesting of the debates. SIR ARTHUR SALTER, in the first speech, set the tone by giving an exceedingly clear exposition of the effects of a decline in the value of money on a progressive system of taxation. To illustrate his point he picked on a phrase used by the CHANCELLOR OF THE EXCHEQUER in his Budget speech, namely, that

> 'the married allowance will thus be higher than immediately before the war'.

This is, of course, true in a sense, but it is very misleading because the present £190 allowance is only worth one-half of the pre-war allowance of £180.

> 'Prices, monetary incomes and the total national income, as expressed in terms of the pound, have all been rising together. The result is that all those whose wages and incomes have increased in correspondence with the rise in prices have, without any increase at all in their real or relative income status, been swept automatically into higher taxation categories and outside the exemption limits.'

Thus millions of wage-earners have been brought into or near the income-tax net who were far outside it before the war, whilst the manager who would have been in the £1,000–£2,000 range in 1938 is now liable to a substantial sur-tax rate though his real income is no more than it was. As SIR ARTHUR pointed out, pounds and shillings are used in two different senses in clause 13 (1). The standard rate of 9*s* 6*d* is a fixed proportion of £1, but £2,000, being a measure of value, varies directly with the purchasing power of the £.

The following remarks of the FINANCIAL SECRETARY TO THE TREASURY with reference to reserves of taxable capacity show the same fallacy. He said during the debate on April 12th:

> 'We have, of course, since 1945 given reliefs in income-tax which – I think this is a remarkable figure – if they were wholly reversed today would yield £1,000 million a year of revenue. That is not only the measure of relief we have given, but also shows the large reserves of taxable capacity which still exist against a real emergency.'

The reliefs given no doubt indicate that a taxable reserve exists but to suggest that £1,000 million is the measure of it is misleading

for the reasons already given. In his reply, the CHANCELLOR agreed there has been a change in the price level but pointed out that real national income has also increased.

The level of taxation

We have stressed the effect of the fall in the value of sterling on our sharply progressive system of taxation of personal incomes because of its importance and because it is still not fully realized by many people.

A related topic which has received much more publicity is the effect on company reserves of calculating depreciation for taxation purposes by reference to historical rather than replacement cost. Revalorization proposals were rejected by the MILLARD TUCKER Committee and little was said on the subject during the debate. MR ALBU, however, stated the Labour view as being that in present circumstances companies could and should raise fresh capital to maintain their assets where this proved to be necessary.

> 'If this is not done, the result is that the ordinary shareholders maintain the real value of their investment in money terms, and they are the only section of the investing community, or the saving community, that does so. There is absolutely no right for the ordinary shareholder in a public company who takes very little risk at present, who plays no part in the management of the concern, to receive any benefit which no other saver, no other pension receiver, no other receiver of any fixed income, gets at present. . . . The yield of ordinary shares has certainly been adequate, and there has been some capital appreciation. I think that that is sufficient.'

Other points must be mentioned more briefly. It was satisfactory to see that the loose statement so often heard that extra taxation would be inflationary and not disinflationary was not supported by the main Opposition speakers. SIR ARTHUR SALTER and MR LYTTELTON put the matter in proper perspective by saying that the raising of £73 million of additonal taxation would be disinflationary (or counter-inflationary) but not to the full extent of £73 million, the exact amount depending on psychological and other factors.

The Opposition pointed to the disincentive effects of high taxation, whilst MR GAITSKELL and other Government spokesmen referred to the T.U.C.'s opinion that the effects of P.A.Y.E. on overtime or work are not great, and said that so far as professional people were concerned some slackening of pressure would have no serious effect on the country's economy. The CHANCELLOR added:

> 'The fact is that people's motives for working are a good deal more complicated than hon. Members opposite think. They are interested, of course, in earning their living in the ordinary way, but they are interested in all sorts of other things – family responsibility, ambition, power – and all these factors come into the picture as well.'

Personal reliefs

A number of amendments to clause 15 which deals with personal reliefs were debated without being accepted by the Government. Amongst these were proposals to increase the maximum earned income allowance from £400 to £500, the dependent relative allowance from £50 to £60, and the maximum figure for the full operation of the old age relief from £500 to £600. A more modest suggestion with regard to Section 15 (2) of the Finance Act, 1925 (which deals with old age relief) was that the marginal relief should be extended by reducing the fraction from 'five-eighths' to 'seven-twelfths'; but this also was rejected.

The FINANCIAL SECRETARY, however, undertook to look into the anomaly whereby a father may continue to receive the child allowance if the child has not more than £60 income in his own right – to be raised to £70 by clause 15 (3) – provided the child receives full-time education, whilst he loses the allowance if the child is apprenticed and receives more than a mere £13 a year from his employer.

Initial allowances

Many amendments to exempt different types of plant and equipment from the suspension of initial allowances as from April 6th, 1952, were proposed. The most interesting debate on this subject concerned boilers and lagging and insulating plant installed for the purpose of economizing coal consumption, and generating equipment installed in order to provide alternative electricity supplies. None of the amendments were accepted but it does seem that a further concession may be given in respect of ships so that where the contract to build the ship was made prior to the Budget speech the allowance will be given whenever the payments are made.

(*To be concluded.*)

THE ROYAL COMMISSION ON TAXATION

THE ASSOCIATION'S MEMORANDUM

THE Council of the Association of Certified and Corporate Accountants has published the memorandum which it has submitted to the Royal Commission on the Taxation of Profit and Income. The memorandum concerns itself with social and economic matters as laid down in the Heads of Evidence (A), covering the question (No. 3):

'whether the present treatment of companies for taxation purposes is satisfactory'.

Basis period

Notwithstanding the findings of the MILLARD TUCKER Committee on the subject, the Association considers that the present rules as to basis period are unsatisfactory in that it is only by coincidence that the aggregate profit assessed over the life of a business can equal the actual profit earned. It ought to be possible to overcome the transitional difficulties involved in a switch-over to 'actual basis', as was done when P.A.Y.E. was introduced. Like the TUCKER Committee, the Association would allow the carry-forward of losses for an indefinite period, but would also allow the carrying back of losses to the previous six years.

Deductions

The Association attacks the negative attitude which pervades the taxing Acts in relation to allowable deductions, and the way in which the Inland Revenue seizes on decisions adverse to the taxpayer and applies them to widely differing facts. Taxable income ought to be computed so that any expenditure or disbursement attributable to production or marketing of goods or services shall be regarded as an allowable cost. Capital expenditure should more properly be regarded as deferred revenue expenditure which passes through the profit and loss account in the form of depreciation, amortisation, depletion, or obsolescence.

Replacement of assets in times of inflation

The memorandum points out that the present rules relating to the various depreciation allowances are based on historical cost, while no allowances are given in contemplation of future replacement of floating assets. This system presupposes stable-money values, but on a rising market it forces the business to apply the net profits, after tax, in meeting replacements; in other words, the working capital has to be increased to maintain the existing level of physical assets, to say nothing of modernization, development and expansion. Replacement of expensive fixed assets in addition to stock replacement sometimes causes acute financial difficulties. The Association's conception of true income, which was quoted in the House of Commons during the Finance Bill debate, is:

'a sum which, at the end of a given period, a business unit could dispose of without impairing the same aggregate of physical assets in the same workable condition as they were at the beginning of the period'.

It is on the income as thus defined that tax should be charged. Accordingly, to avoid the taxing of part of a company's capital in addition to its real income, the taxable income should be computed in such a way that inflows and outflows, represented as receipt and expenditure, are measured in units of constant value in terms of purchasing power as far as is possible. To this end, the Association makes the following practical suggestions. As regards fixed assets, the depreciation allowances on the historical cost basis should be adjusted to allow for the change in price level since the asset was acquired, the amount written down being confined to the allowance before adjustment. As regards stocks, the ordinary 'first in, first out' method of valuation should be applied, but an allowance should be made in the revenue account for the expansion in stock values resulting from price inflation.

Effects of High Taxation

The memorandum asserts that heavy taxation on corporate bodies tends to promote extravagance and to encourage activities directed to tax avoidance in one form or another. The particularly heavy burden on risk-bearing capital tends to inhibit investment in speculative and novel enterprises. It suggests that preference dividends should be allowed as deductions for profits tax and should not be treated as distributions, that

earned income relief should be granted on the retained profits of private companies, up to a maximum of say £1,000 per director, with a maximum of £4,000.

It is perhaps of interest to mention that judging by the Finance Bill debate, the present CHANCELLOR OF THE EXCHEQUER is little disposed to accept the argument that risk-bearing capital is not coming forward. As to the question of taxable income in a period of inflation, he pointed out that the MILLARD TUCKER report supported the Inland Revenue definition of profit, namely, that it should be based on historical costs.

The Association has gone to considerable trouble to include with its memorandum some very interesting figures to support its contentions.

LEIGHTON PARK SCHOOL

Tax Allowance for Children's School Fees

A memorandum submitted to the Commission by the Governors of Leighton Park School deals with another matter also arising out of the present heavy tax burden. The memorandum pleads the case of the individual taxpayer who, by sending his children to an independent school, relieves the State of the burden of educating them. It is upon the parent that the law imposes the duty of ensuring that every child receives full-time education up to the age of 15 years. The role of the local education authority is confined to providing means whereby the parent can carry out that duty free of cost to himself. He can, however, choose to send the child to an independent school where fees are charged, and it has never been suggested by the Ministry of Education or by any other responsible authority that by doing so he is less punctilious in discharging his duty than is the parent who prefers that the whole cost of his child's education shall be borne by the community at large. The memorandum asks for income-tax relief in respect of the double burden borne by the fee-paying parent, who pays for his own children and contributes towards the education of others. It asserts that as the income-tax code recognizes by implication that the cost of bringing up a child is a proper subject-matter for income-tax relief, it would be fitting to give extra relief in respect of school fees borne by the parent. Accordingly, two alternative schemes are suggested. The first involves computing the cost to the community of educating the child at a secondary grammar school. The tuition ingredient of school fees paid by the parent, up to a maximum of that cost, would then be allowable as a credit, in terms of tax, against the income-tax payable by him. Under the other alternative, the tuition ingredient of the fees would be deducted from the parent's taxable income. No relief is sought in respect of the cost of the additional facilities provided by boarding schools: food, dormitory and house accommodation, out-of-class supervision, or grounds and buildings which on current standards would not be available at a publicly maintained day school, or even in respect of medical attendance which is also available from the State.

There is no doubt that the parent who elects to pay fees is at a great disadvantage in relation not only to the parent who, to use the words of the memorandum

> 'prefers that the whole cost of his child's education should be borne by the community at large',

but also to the parent whose lack of means gives him no choice, and to the parent who believes that the State school is better. All parents are at a disadvantage with the taxpayer not blessed with children, for child allowances are little more than token allowances, but whether the childless taxpayer would be enthusiastic about the two schemes formulated by the memorandum (especially the first one) is a matter for speculation. It is not clear whether under the first scheme the parent is to be credited with the average cost of public education per child, or with the much smaller marginal saving which results from withholding his own child from the free school.

Taking the present distribution of the income-tax burden as a starting point, the second scheme implies that the greater the parent's income, as reflected in his tax rate, the greater should be the contribution of the community at large towards the school fees borne by him. Ultimately, the question depends on the extent to which fees to independent schools are to be regarded as socially desirable. That decided, it is a debatable point whether the Inland Revenue is the ideal body to administer the appropriate encouragement. It may be that the Government will prefer to deal with the fees as it proposes to deal with the maintenance of historic houses, by *ad hoc* grants.

LOCAL GOVERNMENT SURVEY

THE grim living conditions which existed in the cities and towns brought into being by the industrial revolution persisted well into the second half of the nineteenth century.[1] Overwhelmed by the upsurge of new life and the constantly changing conditions, the earlier reformers and legislators could do no more than improvise. As a result, town councils and vestries were supplemented by commissioners of sewers, burial boards, school boards, local boards of health and many others, all covering different areas, all differently elected and each raising funds for its independent purpose. It was not until the Local Government Acts of 1888 and 1894 were passed that some measure of co-ordination was achieved. By these acts, county and county borough councils were created and the foundations of modern local government, as we know it, were laid.

In the first part of his presidential address to the sixty-sixth annual general meeting and conference of The Institute of Municipal Treasurers and Accountants (Incorporated), held at Eastbourne this week (mentioned elsewhere in this issue), MR WILLIAM ADAMS, F.I.M.T.A., F.S.A.A., Borough Treasurer of Wolverhampton, gave an interesting review of the subsequent history of local government from the turn of the century down to the present day. The first years, he said, were mainly devoted to consolidation. The Education Act of 1902 abolished the *ad hoc* school boards and transferred their functions to the councils. The Housing and Town Planning Act of 1909 amended the law relating to the housing of the working classes and set a pattern for much of the town planning legislation which was to follow. Municipal trading, as it was called, began to prosper in the form of tramway, gas, water and electricity undertakings.

After the First World War, local authorities were called upon to help with the housing problem and what was thought at the time to be an emergency measure became a permanent commitment. Between the wars one million houses were built by the county and county borough councils. With the passing of the Local Government Act of 1929, the powers vested in the councils reached their peak. The Act abolished boards of guardians – the sole remaining *ad hoc* authority – and transferred their functions, one of which was infant life protection under the Children's Act of 1908, to the local authorities. Among the many tasks undertaken by the councils during the Second World War was the civil defence programme.

The effect of the spate of social legislation enacted since the general election of 1945 has been the transfer of many functions – among them hospitals, gas and electricity undertakings, public assistance and assessment and valuation for rating – from the local councils to newly created central *ad hoc* boards. These losses far outweigh any extension of municipal authority in other directions. Despite these deprivations, the local councils have continued to try to meet the needs of the times and since the end of the war, although hampered by shortage of man-power and materials, have erected 850,000 dwellings.

In the second part of his speech, the PRESIDENT examined two problems, the failure to solve which, he thought, was largely the cause of the present state of affairs. One he described as 'boundaries and functions'. While all authorities are willing to extend their boundaries and responsibilities, none are willing voluntarily to sacrifice local autonomy for the greater good of local government as a whole. The other problem is the perennial one of finance. The resources of local authorities are derived from rating and from government grants. During the past fifty years, revenue from rates has increased sixfold and that from grants twenty-two-fold. This has had the effect of bringing the local bodies more directly under central government control. If local independence is to be preserved, then equity in the financial relationships of the various councils, both with the central government and each other, must be established.

One other difficulty, we would suggest, must be overcome if the councils are to retain their power and prestige, and that is the apathy of the electorate. Indifference, said BURKE, is fatal to religion. It is also fatal to the well-being of any community, large or small, in which every member is not as conscious of his duties as he is of his rights.

[1] For a sensitive and accurate account of life in the industrial towns of early Victorian England, see J. L. and Barbara Hammond's *The Bleak Age*, Longmans Green & Co Ltd, London, and Penguin Books Ltd, Harmondsworth, Middx.

GARAGE ACCOUNTING–III

by E. V. HARBER, F.I.A.C.

The Nominal Ledgers

THE activities of the company are portrayed in two loose-leaf nominal ledgers the first of which is the control ledger showing company debit and credit totals and the cumulative balance and comprising sales ledger and purchase ledger control accounts as well as cash at bank and petty cash accounts. It is therefore entirely self-balancing and for the purposes of extracting a trial balance, quite independent of any other book. The second, the 'stations ledger' is designed to give in columnar form the details by stations of trading and expense accounts, together with certain reserve accounts in which full particulars must be recorded so as to facilitate the extraction of accruals and prepayments at the end of the financial year and to ensure that periodic payments are dealt with regularly. The station ledger is ruled off each month and the totals for the month inserted and cross checked. When extracted, these totals produce the results of the individual month's transactions but below them in the ledger may be inserted cumulative totals which reflect the achievements from the commencement of the financial year.

Fixed and Standing Charges

As the function of the system is to produce monthly accounts, it is obvious that arrangements must be made to take in the proportion of periodic payments – such as rent, general rates, insurances, water rates, telephone charges, lighting and heating, etc. – which refer to the actual month and also to provide in that month for a fair share of depreciation of fixed assets. This may be achieved by preparing in advance schedules of the annual fixed charges as far as they are known or can be estimated and spreading such charges over the accounting periods.

Of these fixed charges the only one which is known definitely at the commencement of the year is rent, but at January 1st the general and water rates are known up to March 31st and will be known for the remainder of the year early in April. The monthly charge for insurances will be based upon policies in force at January 1st, whilst telephone charges can be intelligently estimated on the basis of the previous year, allowing for any upward or downward trend. Depreciation charges in respect of buildings, plant and machinery, fixtures and fittings, and service vehicles will be set up on the totals extracted from the plant register in which the depreciation is calculated independently on each item. In the same way, contract advertising and contract maintenance will be based upon contracts in force at the commencement of the year, and the cost of vehicle licences and trade plates will depend upon the vehicles actually in use. Provision for bad and doubtful debts will be set up at a nominal figure determined probably on the experience of previous years and the extent of monthly salaries will be known at January 1st. There remains only lighting and heating which can be estimated on previous experience but is so much more accurate if the fixed quarterly charges are apportioned on a time basis and the total charge built up from actual readings of the electricity and gas meters.

Schedules of these charges must allow for adjustment and addition during the year, but initially the basic annual charge will be determined and one-thirteenth thereof allocated to each four-week month whilst the five-week months will bear a charge of one-quarter more. This allocation is so easy to calculate that the advantages of the four- and five-week accounting periods as compared with the calendar month will at once be obvious.

Account Numbers and Classifications

In order to simplify the allocation of capital, trading and expense items on purchase invoices and cash disbursements, to eliminate from area cashiers' returns long and detailed description of accounts and to facilitate postings, a list of account numbers and station symbols together with their classifications may be built up and divided into distinct sections as follows: account numbers 1–10: fixed assets; 11–19: capital appropriations and deferred expense; 20–40: combined stock and cost of supplies accounts; 41–50: accounts receivable, investments, and cash; 51–60: capital and loans; 71–79: accounts payable; 80–99: sales accounts; 100–240: expense accounts; 400–500: reserve accounts.

In all cases where reserve accounts relate to expense accounts, the reserve account number may be say 300 higher than its profit and loss counterpart, thus: rent account No. 101: rent reserve account No. 401; general rates account No. 102; general rates reserve account No. 402, etc. In

Parts I and II of this article appeared in our issues of May 26th and June 9th, respectively.

order to eliminate confusion between account numbers and posting folios and to facilitate reference to ledger accounts, the account numbers can be used as ledger folios.

Journal Vouchers

As the sales journals, petty cash books, and stock transfer journals are maintained in the various area cashiers' offices, the postings to the nominal ledger cannot be made direct from the books of original entry. Moreover, such direct postings would make no allowance for fixed and standing charges and it would be too cumbersome to post direct from extracts submitted by area cashiers, especially as entries to the same account emanate from each area office. It is therefore imperative to evolve a method of summarizing the entries arising from each source so that bulk postings reflecting the result of the company's activities can be made in an efficient manner lending itself to verification by the auditors and this is achieved by the introduction of a 'journal voucher'. The journal voucher is a modification, in loose-leaf form, of the journal proper from which all books of prime entry originated. This voucher, which may consist of one or more sheets as necessary, provides two debit and two credit columns allowing company totals to appear in the first column with the detailed station totals in the second. A schedule of journal vouchers is prepared allowing one voucher per month for each source of entry. The vouchers bear the same number each month and are compiled from the information indicated and in the following order:

Schedule of Monthly Vouchers

Nos. 1–5: opening accruals and suspensions being the reversal of closing adjustments at the end of the preceeding month; 6–18: fixed and standing charges – from schedules already detailed; 19: wages and salaries – from wages requisitions verified in total with the company's cash book; 20–21: cash in and out – from company cash book; 22: rents receivable – from fixed charges schedules; 23: material transfers – from issues to branches from headquarters; 24: lighting and heating – from fixed charges schedule after recording area cashiers' returns of meter readings; 25: petty cash disbursements – from area cashiers' returns; 26: accrued wages – from area cashiers' returns; 27: closing work in progress – from area cashiers' returns; 28: purchases – from allocation vouchers; 29: stock transfers – from area cashiers' returns; 30: sales – from area cashiers' returns; 31: prepaid sales – from area cashiers' returns; 32: accrued purchases – from area cashiers' returns; 33: journal – summary of normal journal proper entries; 34: trading adjustments – further journal entries arising from trial trading accounts.

As will be appreciated, these vouchers are compiled largely from returns submitted on specified dates by the area cashier and which are almost exclusively extracts from his books of original entry or his subsidiary records.

The vouchers are posted to the nominal ledgers as they are completed, the company totals in the first debit and credit columns being posted to the control ledger and the station totals in the second columns being recorded in the station ledger.

Extraction of Monthly Accounts

As soon as the compilation and posting of journal vouchers are completed the stock valuations at the end of the trading month, as returned by the area cashiers, should be entered to the credit of the stock and cost of supplies accounts and carried down as the opening balance for the new period, leaving on each account the net cost of the goods sold during the trading period.

A modified form of trial balance, in trading, profit and loss, and balance sheet sections is then extracted from the control ledger. Bearing in mind that the closing stock values have been entered in the ledger, the first two sections of the trial balance give the profit or loss for the year to date and this figure must be incorporated in the third section. The difference between the cumulative profit or loss and that at the end of the previous accounting month is obviously the profit or loss for the current month. Meanwhile the individual station totals in the station ledger are extracted to station trading accounts and a summarized expense sheet which together give the profit or loss for current month for each station or branch of the company; and a summary of the individual station totals and results are agreed with the figures extracted from the control ledger.

Verification of Trading Results

Before finalizing on the figures for the period, the trading results should be compared with the extracts mentioned from time to time in this article. For instance, the sales and gross profits emanating from repair labour and repair material are compared with extracts from the workshop turnover registers to which have been added the cost of non-productive jobs; garaging revenue is agreed with an extract of the spread-over cards plus sales of casual garaging; the petrol figures are verified by a direct calculation from the gallonage passing through the pumps, less,

of course, allowance for internal issues and evaporation losses; tyre sales and profits are checked against the tyre sales control extracts; the results of the accessories shop and wholesale stores are agreed with a summary of the daily extracts of cost and selling prices; whilst the statement of car sales controls the extracted accounts. The yield from oil sales can be confirmed only on a percentage basis owing to the variations of selling price and the sales and gross profit from accessories are checked in the same way. In some of these cases there might be slight variation between the monthly accounts and the subsidiary records but any material difference may be investigated and corrected before the accounts are produced.

In order to present the detailed position to the board, these figures may be repeated to the nearest £ on four sheets: Profit and loss account: showing monthly and cumulative totals of sales, gross profit, expense and net profit. Sales comparison; gross profit comparison; expense comparison: showing current month's figures only under individual sales and expense headings.

Annual Accounts

As already indicated, the accumulated monthly figures form the basis of the annual accounts, although numerous adjustments must be made to the cumulative of the twelve monthly periods before reaching the final result.

In the first place, the monthly accounts do not set out to be absolutely accurate as regards expense accounts, although every known provision should be made. The time available may preclude the verification of each supplier's account, as done in the case of annual audit; the monthly stocktaking may not be carried out as meticulously as at year end; and it is often impracticable to adjust the provisional allocation of fixed and standing charges as is necessary for final accounts. In a large business dealing with over 200 suppliers, there must at any time be a certain number of purchase invoices which do not come to hand promptly and which may be omitted from provisional monthly accounts; and there are other possible avenues of error in the extraction of short-period accounts which are acknowledged but which are reasonable and comparatively small limitations to offset against the great advantage of up-to-date information of the progress of the business. Moreover, the omissions from one month's accounts will automatically be absorbed in the succeeding month so that the margin of error at any time during the year is limited to the margin applicable to the last month end of the period under review. It is, of course, obvious that the prudent accountant will ensure that the provisional monthly debits in respect of fixed and standing charges are adequate – and perhaps something more than adequate – to cover the final charge so that he has something in hand to offset against any unknown expenses. In addition to this it is sound policy to exclude from the monthly accounts revenue receivable from such sources as rebates and price increases of saleable stock and, further, to set aside each month a provision for deterioration and obsolescence of stocks. In this way it is then possible to ensure that although monthly accounts are provisional they are conservatively so.

Final Adjustments

In order to build the twelve months' accounts into the final accounts an additional accounting period known as 'December supplementary' is introduced, although in actual fact it has no time period at all. In reality, therefore, it is an adjustment to the provisional accounts comprising the passing of suppliers' invoices received in arrears, the verification of suppliers' audit statements, the adjustment of customers' accounts where necessary, the correction of fixed and standing charges to the amounts applicable to the year, the absorption of profits and expenses which have been excluded from the monthly accounts, the adjustment of reserves to what is considered necessary or advisable at the close of the annual period, and the provision for taxation which is entirely excluded from the provisional figures. This 'December supplementary' adjustment may continue for a month or two following the end of the year but it does not in any way interfere with the extraction of provisional monthly accounts for the succeeding year, provided that cash balances, stock, and work in progress valuations, year-end prepayments and accruals have been agreed by the auditors.

The value and efficiency of this system is such that it should be possible to present detailed trading and expense accounts, portraying the activities of a multiple business of a dozen or more branches, to the directors within a fortnight of the close of the accounting period.

Although budgetary control was mentioned earlier in this article, no details have been included because it does not form any part of the accounting system nor does it effect the final results shown in the accounts. It is, however, of infinite value to the management of a business and can be designed to meet the requirements of any undertaking and its administrators. (*Concluded.*)

WEEKLY NOTES

Birthday Honours

We offer our congratulations to Mr Lionel Harold Harvey Lowe, B.A., F.C.A., a member of the National Coal Board, who has been made a Knight Bachelor in the recent Birthday Honours.

We also congratulate other members of the profession who received honours as follows: Mr John Stirling, B.COM., B.L., F.S.A.A., chief accountant, Department of Health for Scotland, who has been appointed a Commander of the Order of the British Empire. Mr Charles Vernon Bailey, A.C.A., senior finance officer, headquarters, National Coal Board; Mr Alec Nevison Barnes, A.S.A.A., regional finance officer, South West Region, Ministry of Labour and National Service; Mr Eric John Lawman, A.S.A.A., regional finance officer, Ministry of National Insurance, who were awarded the O.B.E.; Mr Frederick Henry Thornton, F.C.A., lately chairman of Wallasey Food Control Committee, and Mr Harry Tweedale, A.C.A., lately divisional accountant, North West Division, British Electricity Authority, who received the M.B.E.

We should like to offer late congratulations to Sir Edwin John Venner, A.C.A., who in the New Year Honours, was made a Knight Bachelor.

The Society's Conference

It was pleasant and appropriate that the golden jubilee celebrations of the Society of Incorporated Accountants in Ireland should coincide with the 1951 conference of the Society of Incorporated Accountants and Auditors, which was being held in Dublin this week, as this issue went to press. In our next issue we hope to survey the papers that were presented during the conference.

An excellent programme had been arranged to give an opportunity to all those attending the conference of seeing Dublin. After a reception by the President of the Society, Mr C. Percival Barrowcliff, F.S.A.A., at the Mansion House, Dublin, on Wednesday, the conference was opened by the Lord Mayor of Dublin and the President. At the invitation of the Irish branch, of which Mr Mervyn Bell, F.S.A.A., is President, luncheon was provided at the *Gresham Hotel*. In the afternoon a reception was given by the Government of Ireland at Iveagh House; in the evening there was a special performance at the Gate Theatre of *The Director* by L. A. G. Strong.

The following day two papers were presented: 'Government policy in relation to the economic development in the Republic of Ireland' by Mr W. L. White, F.S.A.A., and 'Profit and loss' by Mr Bertram Nelson, F.S.A.A., Vice-President of the Society. On the same day there was a luncheon at the invitation of the Belfast District Society, a golf competition, a dress show for ladies, a visit to Phoenix Park and Zoological Gardens or to Guinness's Brewery, while in the evening there was a banquet at the *Gresham Hotel* to commemorate the golden jubilee of the Irish branch, attended by many distinguished members and guests.

There were two papers on Friday, 'The presentation of directors' reports and statements of accounts', by Mr J. D. Radcliffe, F.S.A.A., and 'Private enterprise or Socialism?' by Senator E. A. McGuire. There was also a dress show for ladies, a golf competition and a tour of the city, or a visit to Powerscourt House, followed by a supper dance at the *Metropole*.

The conference concludes this (Saturday) morning, though there is an additional programme for members staying on in Dublin.

Brush Industry Productivity Report

The report of the team representing the British brush industry, which went to America last September under the auspices of the Anglo-American Council on Productivity, has now been published.[1] The team states that one of the reasons why productivity in America is higher than in this country is the good personal relationships between management and employees and the attitude of both to output. Others are the emphasis placed on money turnover by management, the greater use of machines and the availability, good quality and lower prices of certain raw materials, notably plastics. The objective of the American business is to achieve the maximum dollar turnover and to secure this, methods of accountancy, of labour and material control and of production, are given higher consideration than in this country where craftmanship is the ideal. Quantity, not quality, the team says, is the prime factor in the United States, and to ensure the optimum output there is special emphasis on planning in all management activities.

The report stresses the importance attached to factory layout and to materials handling, and comments particularly on the ingenious uses to which machines are put. The American brush factory resembles an assembly plant much more than does its British counterpart because so many components – such as handles, blocks and filling materials of good quality – are bought in instead of being manufactured on the premises.

The Building Societies Association

Mr W. W. Wetherill, J.P. (Hastings and Thanet) has been re-elected chairman of the Building Societies Association and Mr Hubert Newton, F.C.I.S. (Leek and Moorlands) has been re-appointed deputy chairman.

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[1] British Brush Manufacturers Association, 80 Coleman Street, London, WC2, and the Anglo-American Council on Productivity, 21 Tothill Street London, SW1. 2s 6d, post free.

FINANCE AND COMMERCE

Highly encouraging profit statements and dividend from industrial concerns in various industries infuse life in the market for industrial ordinary issues. The whole section is bright and confident. British funds have staged a slight rally but leading jobbers maintain that investment support is still small. Oil shares remain uncertain owing to the confused situation on the Persian oilfield.

Marks and Spencer

This week's reprint gives the accounts of Marks and Spencer Ltd, one of the household names in retail trade. While most people know the business, however, very few, we imagine, are aware that the origin of this multi-million concern was in a stall in a Yorkshire market-place where Michael Marks sold needles, cottons, and other domestic needs. As we heard the story, it was that the Marks' stall carried a notice, 'Don't ask the price; it's a penny', and from the one-price stall the 'Penny Bazaar' grew. The founder's name is preserved in 'Michael House', the company's Baker Street headquarters.

Consolidated accounts are not provided but the position is adequately covered, so far as figures are concerned, in a separate statement in respect of the interests in wholly-owned subsidiaries. There is nothing to show, however, what the subsidiaries are. Our view is that one should be able to look at the accounts of a public company and know just what one is looking at. The £2½ million involved is small compared with the £20-odd million in the main account, but £2½ million is still a very big figure.

Exchange Conversion

A reminder of the element of unreality present in consolidated balance sheets which bring in foreign assets converted into sterling was given by Mr D. M. Oppenheim, vice-president of the British-American Tobacco Co at the company's annual meeting. The exchange conversion in these days is largely a paper convenience. Mr Oppenheim pointed out that while the consolidated accounts were expressed in sterling, it could not be assumed that the total assets comprising those of the overseas subsidiaries could be realized in sterling, nor could the liabilities be satisfied in sterling.

Mr Oppenheim further stressed the increasing difficulty in providing adequate finance for a business when heavy taxation was levied on profits inflated by monetary depreciation. The company's profits were some £4,600,000 higher but the increase to quite a material extent was the result of the sterling conversion of profits of subsidiaries operating in countries whose currencies were not devalued in September 1949.

The primary right to tax profits earned abroad, Mr Oppenheim declared, belonged to the country where the profits were earned. Only so far as profits were remitted to this country should they bear United Kingdom taxation, he said, and then only subject to full credit for overseas taxes.

Fixed Asset Values

Another company which keeps its shareholders in close touch with present-day fixed asset values is Barnet-Hutton Ltd, which runs a chain of ladies' dress shops under the names of Barnetts, Goodsons, Peter Barrie, Metcalfes, Barnet-Hutton, and Style & Mantle. The nature of the business is self-evident

MARKS AND SPENCER LIMITED
Statement in respect of Interests in Subsidiaries (Wholly Owned) as at March 31st, 1951

1950 £	1950 £		£	£
		Assets and Liabilities of Subsidiaries:		
		Fixed Assets:		
	8,701	Furniture, Fixtures and Equipment at cost, *less* Depreciation		15,329
		Current Assets:		
595,982		Stock-in-Trade at cost or under	1,334,800	
807,326		Debtors and amounts paid in advance	1,569,055	
51,949	1,455,257	Balances at Bankers and Cash in hand	56,669	2,960,524
	1,463,958			2,975,853
		Less Current Liabilities:		
	145,534	Creditors and accrued charges, including provision for Income Tax to 1950–51 ..		235,760
	1,318,424	Net Assets		2,740,093
	1,155,401	Cost of Shares in and Advances to Subsidiaries per Balance Sheet of Marks & Spencer Ltd		2,463,438
	£163,023	Excess		£276,655
		Comprising		
		Capital Reserves:		
4,536		Excess of net Assets at dates of acquisition over cost of Shares	4,536	
4,194	8,730	E.P.T. – Post-war Refund ..	4,194	8,730
		Revenue Reserves:		
26,863		Stock Contingency	61,721	
80,178		Undistributed Profits	130,141	
47,252	154,293	Reserve for Future Income Tax, assessable 1951–52	76,063	267,925
	£163,023			£276,655
		Summary of Profit and Loss Accounts of Subsidiaries for the year to March 31st, 1951 (exclusive of figures of Marks & Spencer Export Corporation Ltd, which are incorporated in the accounts of Marks & Spencer Ltd)		
	111,340	Profit for the year (after charging Depreciation £2,156) (1949–50: £1,545)		179,021
		Taxation thereon:		
12,000		Profits Tax	18,137	
47,252	59,252	Income Tax (assessable 1951–52)	76,063	94,200
	52,088	Balance for the year		84,821
	8,730	Transferred to Stock Contingency Reserve		34,858
	43,358			49,963
	36,820	Amount brought forward from previous year		80,178
	£80,178	Undistributed Profits carried forward in accounts of Subsidiaries		£130,141

MARKS AND SPENCER LIMITED

Profit and Loss Account for the Year ended March 31st, 1951

1950 £		£	£
	Directors' Emoluments:		
2,500	Fees	2,500	
78,929	Other Emoluments	85,926	
81,429			88,426
500	Debenture Trustees' Remuneration		500
134,906	Debenture Stock Interest		133,616
40,000	Loan Interest		40,000
	Depreciation of:		
185,182	Properties	209,153	
502,640	Fixtures and Equipment	523,891	
687,822			733,044
	Repairs to:		
370,804	Properties	351,865	
299,928	Fixtures and Equipment	303,727	
670,732		655,592	
165,000	*Less* Amount attributed to Deferred Repairs	135,000	
505,732			520,592
4,651,102	Balance carried down		6,082,264
£6,101,491			£7,598,442
	Taxation on the profit for the year:		
755,000	Profits Tax	1,120,000	
1,775,000	Income Tax (including Reserve of £2,270,000 for future Income Tax, assessable 1951–52)	2,405,000	
2,530,000			3,525,000
50,000	Allocation to Staff Benevolent and Pensions Fund		50,000
—	Transfer to General Reserve		505,321
—	Transfer to Stock Contingency Reserve		350,000
21,900	Transfer to Debenture Redemption Reserve ..		23,200
	Dividends, *less* Income Tax, paid and proposed on:		
19,250	10 per cent Cumulative Preference Shares for the year to March 31st, 1951		18,811
38,500	7 per cent Cumulative Preference Shares for the year to December 31st, 1950		38,500
	Ordinary and 'A' Ordinary Shares:		
178,481	15 per cent Interim paid ..	£182,538	
535,444	60 per cent Final proposed ..	696,962	
			879,500
3,971,401	Balance proposed to be carried forward		4,663,333
£7,344,976			£10,053,665

1950 £		£	£
5,989,951	Profit for the year before taking into account income set out below and expenditure and charges *per contra* ..		7,486,863
	Interest and Dividends on:		
51,452	Trade Investments	51,806	
45,267	Other Investments	52,632	
96,719			104,438
10,945	Bank and other Interest		6,160
870	Transfer Fees		981
3,006	*Profit on Sale of Investment*		—
£6,101,491			£7,598,442
4,651,102	Balance brought down		6,082,264
100,000	*Transfer from Taxation Provision, amount no longer required*		—
2,593,874	Balance brought forward from last Account		3,971,401
£7,344,976			£10,053,665

from the publication of the annual accounts this year in the form of a brochure containing photos of the branch shop-fronts. This is an excellent way of showing what the company does and brings out the names under which the company trades. The chairman himself says it is not generally realized that the Goodsons shops belong to the company.

The fixed assets position can be seen from the reproduction of the statement of consolidated fixed assets which is part of the accounts. Freehold and long leasehold properties were valued at balance sheet date (January 31st, 1951) by qualified valuers at £442,850, which exceeds the book figure by £110,498. This is recorded in the chairman's statement, and the up-to-date valuation figure is given as a note to the item in the balance sheet. The chairman says 'the strength of the company's finances is thereby emphasized'.

Overburden Removal

For those who are still in the early stages of their accounting experience, one little item in the accounts of Amalgamated Roadstone Corporation Ltd is worth a few lines. The final item on the assets side of the balance sheet is 'Overburden removal in excess of current requirements', the balance at debit being £6,845 as compared with £5,072 previously. The amount is hardly more than the last four figures in the balance sheet total of £4,355,746 but is one of the adjustments that must be made in the closing of the accounts.

The company, as its title indicates, brings together a number of businesses producing road material in various forms right from the quarrying stage. To get down to the rock, a certain amount of 'overburden' must be removed and it is fairly obvious that expenditure on the removal is a charge against the year's income only to the extent that the removal was necessary for the earning of that income.

Money Market

Applications for Treasury bills on June 8th totalled £355,170,000 compared with £349,515,000 previously. The market secured about 62 per cent of requirements with the average rate 10*s* 2·80*d* per cent compared with 10*s* 2·78*d* per cent the previous week. The amount to be offered this week is £250,000,000 or £10,000,000 less than the previous week. Call against deposit receipts this week will again be £25,000,000.

MARKS AND SPENCER LIMITED

Balance Sheet as at March 31st, 1951

1950		Authorized	Issued and fully paid	
£	**Share Capital:**	£	£	£
350,000	350,000 10 per cent Cumulative Preference Shares	350,000	350,000	
1,000,000	1,000,000 7 per cent Cumulative Preference Shares	1,000,000	1,000,000	
600,000	2,400,000 Ordinary Shares of 5s each	600,000	600,000	
1,563,409	8,000,000 'A' Ordinary Shares of 5s each, of which 6,450,309 have been issued	2,000,000	1,612,577	
£3,513,409		£3,950,000		3,562,577
	Capital Reserve:			
906,984	Share Premium Account ..			906,984
	Revenue Reserves:			
2,343,847	General (after Capitalization of £49,168) ..		3,000,000	
200,000	Properties Contingency ..	200,000		
	Less Transfer to General Reserve	200,000	—	
150,000	Stock Contingency		500,000	
238,700	Debenture Redemption		261,900	
3,971,401	Profit and Loss Account: Balance after proposed dividends and appropriations		4,663,333	
6,903,948				8,425,233
11,324,341				12,894,794
1,685,000	Reserve for future income-tax, assessable 1951–52			2,270,000
	Debenture Stock and Loan:			
783,200	First Mortgage Debenture Stock – 6 per cent		761,300	
2,500,000	First Mortgage Debenture Stock – 3½ per cent		2,500,000	
3,283,200			3,261,300	
1,000,000	Loan at 4 per cent interest		1,000,000	
	(Secured by issue of £1,100,000 4½ per cent First Mortgage Debenture Stock as collateral.)			4,261,300
4,283,200				
	Current Liabilities and Provisions:			
2,230,017	Creditors and Accrued Charges ..		2,786,163	
20,005	Accrued Interest (*less* income-tax) on Debenture Stock and Loan (secured)		18,981	
	Provisions for:			
910,257	Taxation, including income-tax to 1950–51		1,371,953	
135,000	*Deferred Repairs*		—	
	Dividends, *less* income-tax:			
9,625	10 per cent Cumulative Preference Shares for half-year to March 31st, 1951	£9,187		
535,444	Proposed Final Dividend on Ordinary and 'A' Ordinary Shares ..	696,962		
			706,149	
3,840,348				4,883,246
£21,132,889				£24,309,340

SIMON MARKS, ISRAEL M. SIEFF } *Directors*

B. W. GOODMAN, *Secretary.*

1950		£	£	£
£	**Fixed Assets:**			
	Properties as valued at June 10th, 1926, *plus* additions at cost to March 31st, 1951:			
6,911,689	Freeholds	7,046,806		
1,181,019	*Less* Provision for Depreciation	1,270,585		
5,730,670			5,776,221	
3,876,453	Leaseholds	3,859,611		
1,228,298	*Less* Provision for Depreciation	1,293,690		
2,648,155			2,565,921	
8,378,825			8,342,142	
1,196,040	Fixtures and Equipment – at cost, *less* Depreciation	1,670,791		
9,574,865				10,012,933
1,241,503	Trade Investments, including Loan – at cost			1,386,503
10,816,368				11,399,436
	Subsidiary Companies (see Statement annexed):			
21,156	Shares – at cost		21,156	
1,134,245	Advances		2,442,282	
1,155,401				2,463,438
	Current Assets:			
2,894,258	Stock-in-Trade at cost or under, as certified by Officials of the Company		4,372,048	
75,000	Consumable Stores		67,000	
644,550	Debtors and amounts paid in advance		931,000	
	Investments quoted on recognized Stock Exchange, at cost:			
1,324,601	British Government Securities	£1,324,601		
49,534	Other Investments ..	49,534	1,374,135	
	(£10,995 deposited under Property Covenants)			
	Market value – £1,379,653 (1950 – £1,357,122)			
1,698,275	Tax Reserve Certificates		1,500,000	
2,474,902	Balance at Bankers and Cash in hand ..		2,202,283	
9,161,120				10,446,466
£21,132,889				£24,309,340

Note.

The Company has guaranteed to Bankers advances up to £195,000 (1950 – £145,000) to a Subsidiary and other Companies.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council, held on Wednesday, June 6th, 1951, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr H. Garton Ash, O.B.E., M.C., President, in the chair, Mr C. B. Boyce, C.B.E., Vice-President; Messrs G. Adam, M.C., W. L. Barrows, Sir Harold Barton, Messrs T. Hamilton Baynes, B. H. Binder, T. Fleming Birch, J. Blakey, W. G. Campbell, P. F. Carpenter, W. S. Carrington, S. W. Cornwell, A. S. H. Dicker, M.B.E., G. R. Freeman, S. H. Gillett, M.C., P. F. Granger, D. V. House, H. Crewdson Howard, Sir Russell Kettle, Messrs W. H. Lawson, C.B.E., W. R. MacGregor, J. S. Mackenzie, K. A. E. Moore, P. Morgan-Jones, S. J. Pears, P. M. Rees, M.C., L. W. Robson, T. B. Robson, M.B.E., G. F. Saunders, G. D. Shepherd, M.B.E., K. G. Shuttleworth, B. Smallpeice, C. M. Strachan, O.B.E., E. D. Taylor, T. A. Lacy Thompson, D.S.O., M.C., G. L. C. Touche, E. G. Turner, M.C., A. D. Walker, Sir Nicholas Waterhouse, K.B.E., Mr H. B. T. Wilde, with the Secretary and an Assistant Secretary.

Election of President and Vice-President

Mr Charles William Boyce, C.B.E., F.C.A. (Boyce, Welch & Co, Bradford) was elected President and Mr Thomas Buston Robson, M.B.E., M.A., F.C.A. (Price Waterhouse & Co, London) was elected Vice-President for the ensuing year.

Mr George Freeman: It is again my very pleasant duty and privilege to have the pleasure of proposing the President of the Institute for the ensuing year. In our Vice-President, Mr C. W. Boyce, we have a man who is well able to serve the high office of President. I am quite sure that we shall all agree that as Vice-President he has carried out his duties to our entire satisfaction and will do the same as President. (Hear, hear.)

Last year when Sir Harold Barton and Sir Harold Howitt proposed Mr Boyce as Vice-President I felt that everything that was necessary was said as regards his attributes and qualities and I echo all these words. Mr Boyce has been our Vice-President during the year and I do not think that he had to do very much in the way of speeches although, being a good Yorkshireman, he has no doubt a very good fund of stories for use on these occasions. I am sure that Mr Boyce will do his very best to carry out his duties and will enhance the prestige of the Institute. There have been only ten Presidents of the Institute from the Provinces and Mr Boyce will be the eleventh. I trust that he will have a very happy year of office and I have great pleasure in moving the election of Mr Boyce as President for the ensuing year. (Applause.)

Sir Nicholas Waterhouse: I am very pleased that it falls to me to second the resolution that Mr Freeman has just put. As I have said on previous occasions there is little that I can add and there is nothing much more which I can say as to the suitability of the candidate for the Presidency of our Institute. The new President will have no easy task if he aspires to keep up the pace set by his predecessor – that most energetic, dynamic and, having regard to his numerous provincial excursions, I think I may say that ubiquitous gentleman. His year of office will be none the lighter for one whose practice is as far away as Yorkshire, but from the manner in which he has conducted himself during his year as Vice-President – in spite of the fact that he is somewhat on the wrong side of sixty years (laughter) – he seems still to be endowed with the gift of permanent youth to which Sir Harold Howitt referred when he seconded his election as Vice-President last year. But over and above all his other qualifications Mr Boyce is always considerate and ready to listen to the other man's point of view and I feel sure that his character and experience and reputation for good stories so admirably told make him just the man we would all like to preside over us during the coming year.

I have very much pleasure in seconding the resolution. (Applause.)

The President: In handing on the President's badge which it has been my honour to wear during this year, I am sure that you will be fortified by the goodwill and assistance of every member of this Council. I am going to wish you very good health and happiness in carrying out what I am sure will be a very successful year of office. (Applause.)

Mr Boyce then took the Chair and said: Gentlemen, with one exception – my wedding day – this is the most eventful day of my life and I am very conscious of the honour you have conferred on me this morning.

It has been a great delight to me that my old friend Mr George Freeman has been well enough to attend this meeting and to propose my election to the office of President, and I am sure I am voicing the feelings of all present when I say it is our sincere hope that his health may continue to improve and that he may long be spared to carry out the duties which go with the office of Senior Past-President.

May I say to you Mr Freeman and to you Sir Nicholas, how very much touched I have been by the very kindly references you have made when proposing and seconding my election and may I add my grateful thanks to all my friends on the Council for the generous way in which they have supported it.

I must confess that I approach the coming year with a certain degree of nervousness, the sort of sinking sensation so aptly described in two short words by members of the Forces before going into action, and also with some misgivings. My misgivings arise from the doubt as to whether I have the ability to reach, even within measurable distance, the exceptional standard of excellence which has been attained by my predecessors, but I derive comfort from the fact that I have already had offers of help from Past-Presidents and I know that I can rely on the members of the Council and on the Secretary and staff of the Institute to guide and assist me at all times.

I have served my apprenticeship for one year as Vice-President but I have some doubt as to whether my principal could give a sufficiently comprehensive certificate of practical experience to satisfy the stringent requirements of the Applications Committee!

Mr Garton Ash has carried out the duties of President so assiduously that only on the rarest occasions have I been called upon to render any assistance. In fact, from all points of view and in particular from that of the Vice-President, he has been an ideal President.

I hope that the next Vice-President will be able to say the same of me when my year of office comes to an end. I must warn him that living a couple of hundred miles away from London, I shall not have the facilities for trotting round to the Institute at a moment's notice and if, as I suspect, a London member is nominated, the Secretary may find it very convenient to have him on the doorstep for consultation.

When Mr Shepherd relinquished office as President he told us that in seventeen months he had travelled – I think the figure was – 27,000 miles. I have been rather surprised

to find that during my year as Vice-President, I have travelled on the business of the Institute about 14,000 miles. If you care to work it out at an average of 40 miles per hour, the answer is 50 days of seven hours, mainly at overtime rates. (Laughter.)

Even though I have to spend double that time during the coming year on my journeyings between Bradford and London and elsewhere, I shall not begrudge it if by so doing I can assist in maintaining and enhancing the prestige of the Institute and in making those personal contacts between the Council and our members in all parts of the country which are so valuable and do so much to strengthen the bonds of friendship and goodwill built up during the past seventy years.

During my fifty-one years of membership, I have come to realize what a great deal I owe to the Institute and on that account I am hoping the coming year will give me the opportunity of repaying some portion of that debt.

Gentlemen, again I thank you. (Applause.)

Sir Harold Barton: Mr President and gentlemen, it is my pleasant duty to propose a successor to Mr Boyce as Vice-President, and the name I submit is that of Mr Thomas Buston Robson. (Applause.) As you well know, he is a partner in the world-wide firm of Messrs Price Waterhouse & Co – and here I ought to disclose that I am speaking as one of the 'old boys' formerly on the staff of that eminent firm. Although Mr Robson is so well known to you all, I have done a little research and I have discovered several surprising things. (Laughter.) I will not disclose them all but it is interesting to note that in Mr Robson we should have another north-countryman to occupy the vice-presidential chair for he was born in Newcastle and lived there in his early days. He had a distinguished career at Durham University where he became a Master of Arts. As you are aware, he is also a member of the Order of the British Empire but I was not previously aware that he received this distinction in the First World War as a gunner in Macedonia, thus holding the military side of the Order.

As an articled clerk he appears to have had a surprising experience. Being a graduate of a university, he was, of course, a three-year man but apparently he served articles for only two and a quarter years; that must surely have been a time when the regulations were not so strict as today – but perhaps this reduction was on account of war service. In the Intermediate examination he was awarded a Certificate of Merit and in the Final examination he won the Peat Gold Medal. (Applause.) As soon as he was through his articles he evidently did not hesitate as to what he should do for he speedily migrated to London and in October 1923 he joined his present firm, of which he became a partner within eleven years.

Mr Robson was elected a member of the Council in 1941, since when he has done invaluable work for the Institute. In particular I would refer to his services in connexion with the Parliamentary and Law Committee of which he has been a member since 1943. He was vice-chairman from 1946 to 1948, since when he has been its chairman. He has also been chairman, or an active member, of many important *ad hoc* committees, such as the committee charged with the preparation of the Institute's submissions to the Cohen Committee on the amendment of the Companies Act. Moreover, he gave verbal evidence before that committee with Sir Harold Howitt on behalf of the Institute. I would add that he has been a member of the General Purposes Committee since 1944 and, in addition, he has played an important part in many other directions, including membership of the co-ordination committee of the accountancy professional bodies since its inception.

Among his public appointments he is, with Sir Russell Kettle, a member of the Board of Trade Accountants Advisory Committee on the working of the Companies Act, 1948. He was a member of the Committee on the Amendment of Census of Production Act, 1945, and also of the Central Valuation Board for the Coal Industry. One of his latest activities was as one of the Institute's three representatives who gave evidence before the Tucker Committee on Taxation of Trading Profits.

As Sir Russell Kettle is to second the resolution, I do not propose to deal at length with Mr Robson's personal qualities. Accordingly, I will only say that he makes a most admirable chairman, he has the gift of grasping quickly any difficult matter – in fact, the more complex it is the better he seems to enjoy himself. (Laughter.) Those of you who have seen him at work will have observed his gift of quick drafting – indeed he can draft a paragraph at a speed and with a clarity which I envy greatly. There is, I feel, a touch of the lawyer about Mr Robson and I venture to think this is one of the characteristics that have enabled him to make so valuable a contribution to the work of the Institute. Finally, I will remind you that he has been both a writer and speaker on a number of subjects – in particular there is his well-known book on consolidated accounts.

This brief review of some of Mr Robson's qualities and of all that he has done and achieved, justifies to the full his selection as Vice-President of this Institute, and I have the very greatest pleasure in formally moving that he be so elected. (Applause.)

Sir Russell Kettle: After Sir Harold Barton's biography of the attainments of Mr Robson there is very little left that I can add but I should like to touch on one or two of the qualities that Thomas Robson has shown during the time that he has been a member of the Council. Mr Robson possesses in marked degree that clarity of thought and conciseness of expression, coupled with impartial judgment and the capacity to reach speedy decisions which are amongst the highest qualities of a chartered accountant. He has used his great abilities unstintingly in the service of our Institute and of the profession as a whole and the Council has not been slow to place upon his willing shoulders many important tasks and duties which he has carried out with distinction to the Institute and to himself. In the future work which lies ahead of him I know that he will ably maintain the prestige and dignity – and I think we are old enough for me to add the traditions – of our Institute.

Had Sir Harold Howitt been here it would have fallen to his lot to second this resolution, and he has asked me to say that it would have given him great pleasure to do so. Mr President, in Sir Harold Howitt's absence abroad, I will only add that it gives me the greatest possible personal pleasure to commend to my fellow members on the Council Mr T. B. Robson as Vice-President for the ensuing year. (Applause.)

Mr Boyce: Mr Robson, on behalf of the members of the Council, I welcome you as our new Vice-President and I have much pleasure in handing on this badge to you. I hope that your year of office will be as happy as the one which I have just passed.

Mr T. B. Robson: This is, for me, a great day. It would be disingenuous and hypocritical to pretend that I am not both pleased and proud to have been elected by your generosity to this high office. To each and every one of you I give my warmest thanks.

To the two Past-Presidents who proposed and seconded my nomination I acknowledge my special debt of thanks. They, like so many other members of the Council, have become warm friends of mine in the ten years during which I have sat here as a member.

Sir Harold Barton passed through the Price Waterhouse stable many years ago to win a foremost place for himself under his own colours. He and I have sat together on many Institute committees and sub-committees, and last year I was privileged to work with him in our endeavour to ensure justice being done to one of the members of the Institute in the criminal courts. Sir Harold's obvious sincerity of purpose in all these matters and his care and sympathy in considering every problem brought before him are a lesson to us all.

And then there is Sir Russell Kettle who seconded the resolution in such felicitous terms. His contribution to the profession and to the Institute is massive, not only, as he is tired of being reminded (laughter), in relation to the Companies Act, but in his informed and constructive work in the early and later stages of drafting every memorandum and recommendation issued by the Parliamentary and Law Committee in recent years. To every problem he brings a clear but well-furnished mind and is fearless in the honest expression of his views. It is a great pleasure and honour to me that I should find him lending his support to Sir Harold Barton's proposal today.

I am specially grateful to them and to you all for the opportunity now afforded to me of assisting Mr Boyce in his arduous duties as President. Not that a man of his stamina and vigour will need much help; but even a man of his varied attainments cannot be in two places at once, and even he must need a deputy on occasions. I would assure him that I will do my best in such duties as may fall to me during his presidency to live up to the high standards which he and his distinguished predecessors have set.

In all the similar speeches that have been made by incoming Vice-Presidents who have taken office in the seventy-one years of the Institute's history there can have been few as grateful and as proud as I am today. Proud that I should have been chosen for this important office in the premier body of professional accountants in the world, proud that I should have attained that office whilst the last Vice-President (Sir Nicholas Waterhouse) provided by my firm nearly a quarter century ago is still active among us, proud and grateful that he and my other partners should have made it possible for me to accept the honour which you have so generously conferred upon me.

Once more then thank you all very much indeed. I hope that what may be an act of faith on your part today may find during the coming year at any rate some measure of justification by works done by myself. (Applause.)

Mr SHEPHERD: A very pleasing duty falls to me to propose an expression of this Council's appreciation and gratitude to Mr Garton Ash.

We know that during the 1914–18 war Mr Garton Ash served with distinction in a military way but that his health was affected then and has been affected during the years since. We know also that a year ago he wondered whether his health would hold out under the stress of office. We are very happy indeed that his health has been so good and that he has been able to carry through his duties without difficulty.

It has been a busy year for him. He has visited every one of the District Societies. A very pleasing factor of these visits is that he was often able to arrange during the afternoon to meet the students in the various districts. I am told by several friends that this has been greatly appreciated by the students who considered it a great privilege to meet him. He has also attended the inaugural dinner of a new Students' Society.

He has attended many functions in London as representing the Institute and as a Liveryman. I should imagine that one of the occasions which will stand out in his memory particularly is the fact that very recently he was chosen as a Liveryman to propose to another member of this Institute, Sir Frederick Rowland, the ex-Lord Mayor of London, a vote of thanks for his services as Lord Mayor. It was a great honour for a member of our Institute. He has made an excellent chairman of this Council and we are grateful for the consideration he has shown when we have had busy meetings.

His addresses, as published in *The Accountant*, have shown ripe wisdom and sound judgment, and I know that the provincial members have very much appreciated his approachability and friendliness. It has a great effect throughout the Provinces when a President like Mr Ash is able to meet so many and create such a favourable impression. He has had a busy year and I think that he must have had a happy one – we know that he has had a very successful year of office. I have very great pleasure in proposing a hearty vote of thanks to Mr Garton Ash. (Applause.)

Mr BINDER: It is a pleasurable privilege to second the vote of thanks to Mr Garton Ash, our immediate Past-President, which has been proposed by Mr Gilbert Shepherd so felicitously and in such a way as to leave very little for me to add. Though my addition to the tribute to him is, therefore, necessarily short, it is none the less sincere.

It has been said that a country has the government it deserves. Well, our Institute and this Council must be very deserving because we have been most fortunate in our retiring President who has so excellently upheld the tradition of service and good work expected from the President of our Institute. Mr Garton Ash has worthily continued the record set by the long line of his predecessors. He has endeared himself personally to all of us by his modesty and charm which have enhanced the solid services he has rendered to our Institute. In his addresses to the various District Societies and Students' Societies he has mingled sound advice with humour.

We are all glad to know that with the added experience of his fine year of office he is still youthful and vigorous enough to lead us to expect many years of valuable advice and collaboration from him in this Chamber and in our committees.

The culmination of thankfulness is praise. We, assembled here, do wish cordially and unanimously to praise Mr Garton Ash as well as thank him for his excellent work on behalf of the Institute.

Some lines from Kipling's poem: 'And we all praise famous men' can properly be applied to Mr Garton Ash.

'And we all praise famous men
Ancients of the College:
For they taught us common sense –
Tried to teach us common sense –
Truth and God's own common sense
Which is more than knowledge!'

Two lines of the next verse are, I suggest, equally applicable:

'Diligent in that he does,
Keen in his vocation.'

I have very great pleasure in cordially seconding the vote of thanks proposed by Mr Gilbert Shepherd. (Applause.)

Mr GARTON ASH: Mr President and gentlemen, Mr Shepherd and Mr Binder have been all too generous in their references to me and I am at a loss to express adequately my full appreciation of all the nice things they have said of me and of the little I have done for the Institute during the past year. It has been a great honour and privilege to have had this opportunity of service to the Institute.

When, a year ago, you accorded me the great honour of electing me to the high office of President of the Institute, I approached the task with feelings of nervous anticipation, for I realized the great responsibility it entailed. But your ready help soon allayed that feeling and now the year is past I look back with gratitude to you all for the encouragement and goodwill which you have at all times given me and to which you have now added by your response to the resolution.

The office of President is no sinecure. The work occupies almost the whole of one's time for the Institute's own affairs require constant attention and there are many matters affecting the profession as a whole to which your President must also give close attention. It is I am sure important that the President should make contact with the students – it is most helpful to get their views. I was uncertain as to whether my health would stand the strain but strange to say it has improved during the year. This may be due to the good food I have had on my visits to the District Societies. (Laughter.)

I am sure you will understand if I say it would not have been possible to carry through these duties if it had not

been that my partners shouldered so much of my personal work. By so doing they have enabled me to be virtually out of my firm for the year so that I could undertake the work of the Institute without undue strain.

I would also like to pay tribute to the whole-hearted support received from the Institute staff. I took the opportunity of the annual meeting to thank Mr MacIver, Mr Loveday and Mr Wilkinson for the help they have given me and I would like again here to say how grateful I am to them as I am also to all the members of the staff here who are always willing to do all they can for the welfare of the Institute and with whom it has been a great pleasure to work.

The two main impressions which will ever remain with me are the very great friendliness accorded me at all times and particularly by the District Society Presidents, officials and members, and the very high esteem in which the Institute is held by the public in general throughout the country. Only by visiting the District Societies can one appreciate to the full the team spirit which exists in the Institute as a whole and realize the trust placed in the word of a chartered accountant. It is a trust we must take care to guard.

There is a couplet that reads:

> Be to my virtues very kind
> Be to my faults a little blind.

Mr Shepherd and Mr Binder have been all too kind and blind – for this and all your kindnesses I thank them and you most sincerely. (Applause.)

Readmission

One application for readmission to membership was acceded to.

Reduction in Period of Service under Articles

Four applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

One application under bye-law 63 (*c*) for a reduction in the period of service under articles was acceded to.

Exemptions from the Intermediate Examination

Five applications under Bye-law 85 (*b*) for exemption from the Intermediate examination were acceded to.

Final Examination

One application under Bye-law 63 (*e*) for permission to sit for the Final examination earlier than two years after passing the Intermediate examination was acceded to.

Appointments to Committees

The following Committees were appointed for the year 1951–52:

President and Vice-President ex-officio members of all Committees other than the Disciplinary and Investigation Committees

Applications

G. Adam, T. A. H. Baynes, T. Fleming Birch, J. Blakey, C. W. Boyce, S. H. Gillett, P. F. Granger, K. A. E Moore, P. Morgan-Jones, L. W. Robson, G. F. Saunders, C. M. Strachan, T. A. L. Thompson, G. L. C. Touche.

Disciplinary

W. L. Barrows, Sir H. M. Barton, B. H. Binder, T. Fleming Birch, W. G. Campbell, P. F. Carpenter, A. S. H. Dicker, S. H. Gillett, G. D. Shepherd, C. M. Strachan, A. D. Walker, Sir N. E. Waterhouse.

District Societies

G. Adam, T. Fleming Birch, J. Blakey, P. F. Carpenter, S. W. Cornwell, A. S. H. Dicker, P. F. Granger, P. Morgan-Jones, L. W. Robson, G. D. Shepherd, K. G. Shuttleworth, C. M. Strachan, E. D. Taylor, A. D. Walker, Sir N. E. Waterhouse, H. B. T. Wilde.

Examination

W. L. Barrows, T. A. H. Baynes, W. G. Campbell, P. F. Carpenter, A. S. H. Dicker, P. F. Granger, D. V. House, W. H. Lawson, P. M. Rees, B. Smallpeice, E. E. Spicer, E. G. Turner.

Finance

T. A. H. Baynes, A. S. H. Dicker, S. H. Gillett, W. R. MacGregor, J. S. Mackenzie, K. A. E. Moore, L. W. Robson, K. G. Shuttleworth, B. Smallpeice, E. D. Taylor, T. A. L. Thompson, G. L. C. Touche, E. G. Turner, A. D. Walker, H. B. T. Wilde.

General Purposes

H. Garton Ash, Sir H. M. Barton, W. S. Carrington, S. W. Cornwell, D. V. House, H. Crewdson Howard, Sir H. G. Howitt, Sir R. Kettle, K. A. E. Moore, P. M. Rees, T. B. Robson, G. D. Shepherd, C. M. Strachan, T. Walton, and the Chairmen of the Finance, Investigation, Parliamentary and Law, and the Planning Committees.

Investigation

H. Garton Ash, J. Blakey, G. R. Freeman, D. V. House, H. Crewdson Howard, Sir R. Kettle, W. H. Lawson, W. R. MacGregor, P. M. Rees.

Library

T. A. H. Baynes, P. F. Carpenter, J. S. Mackenzie, P. Morgan-Jones, L. W. Robson, E. E. Spicer, A. D. Walker, H. B. T. Wilde.

Parliamentary and Law

W. L. Barrows, B. H. Binder, T. Fleming Birch, W. G. Campbell, W. S. Carrington, Sir H. G. Howitt, Sir R. Kettle, W. H. Lawson, S. J. Pears, C. U. Peat, T. B. Robson, G. F. Saunders, T. A. L. Thompson, G. L. C. Touche.

Planning

H. Garton Ash, W. L. Barrows, P. F. Carpenter, S. W. Cornwell, S. H. Gillett, H. Crewdson Howard, S. J. Pears, C. U. Peat, P. M. Rees, G. F. Saunders, G. D. Shepherd, E. G. Turner, and the Chairman and Vice-Chairman of the General Purposes Committee.

Articled Clerks

SERVICE IN INDUSTRIAL ORGANIZATION

Two applications under Bye-law 58 (*c*) from articled clerks to spend a period of their service under articles with an industrial organization were acceded to and one application was not acceded to.

Changes of Name

The Council decided that the following changes of name be made in the List of Members:

Leycester Percy Ferris Scott to Leycester Percy Ferris-Scott.
Leslie Robert Friend Smith to Leslie Robert Friend-Smith.

Annual Meeting of Representatives of the District Societies and of the Council

It was resolved:

'(*a*) That the annual meeting of representatives of the District Societies and of the Council be held on Thursday, November 8th, 1951, at 11 a.m.

'(*b*) That the Council representatives be the President and Vice-President, the Chairman and Vice-Chairman of the District Societies Committee, the Chairmen of the General Purposes and Planning Committees, and Mr P. M. Rees.'

Royal Commission on the Taxation of Profits and Income

A first memorandum was approved for submission to the Royal Commission on the Taxation of Profits and Income.

Finance Bill

The Council received a report of a discussion on May 30th, 1951, between representatives of the Board of Inland Revenue and representatives of the Institute (Mr T. B. Robson, M.B.E., Mr W. H. Lawson, C.B.E., and Mr D. A. Clarke) in connexion with a memorandum on the Finance Bill, submitted to the Chancellor of the Exchequer on May 18th, 1951.

Members' Handbook

A supplement to the *Members' Handbook* was approved for issue to all members of the Institute. (The issue is expected to take place towards the end of June.)

Changes in Appointment as Auditor or Professional Accountant

On the report of the Investigation Committee the Council decided to issue the following statement:

It is the duty of any member of the Institute before accepting nomination for appointment as auditor or professional accountant to a company, partnership or private individual to communicate with the previous auditor or professional accountant.

The Council indicated in its statement of April 1937 that such communication should be made with a view to ascertaining the circumstances in which a change of auditor was proposed. Some members appear to have assumed that if the person proposed to be appointed believes himself to be aware of the circumstances in which the change is proposed, then he is relieved from the duty of communicating; the Council therefore wishes to make it clear that the duty to communicate exists in every case. It is essential that the member who is proposed for appointment, whether as auditor or as professional accountant, shall have an opportunity of knowing all the reasons for the change and this requirement can only be fulfilled by direct communication with the holder of the existing appointment.

Apart from any question of professional courtesy it is important that the legitimate interests of the public and the independence of the existing auditor or professional accountant should be safeguarded and that a communication should take place even though the change is a matter wholly within the discretion of the appointor. The duty to communicate is not confined to cases where the previous appointment was held by a member of the Institute.

Compliance with the duty to communicate will not necessarily preclude the Disciplinary Committee from considering any complaint which may be made under clause 21 (3) of the supplemental Royal Charter.

This statement supersedes those of 1937 and 1943 which are reproduced on page 76 of the members' handbook.

Where a member is invited to undertake special professional work for a company, partnership or individual, such work being in addition to that already being carried out by the client's auditor or professional accountant and where no question of replacement arises, it is normally desirable, as a matter of professional courtesy, for the member invited to undertake the special work to notify the client's auditor or professional accountant unless the client advances satisfactory reasons for the member not so doing.

Certificates of Practice etc.

It was recorded:

(1) That certificates of practice be issued to the following twenty-five associates who have commenced to practise:

Banks, Philip Joseph; 1930, A.C.A.; The White Bungalow, 65 Fiery Hill Road, Barnt Green, Birmingham.
Beale, Patrick William; 1948, A.C.A.; (*Spain Brothers, Dalling & Co), 27 Chapel Road, Worthing, and at Brighton.
Bispham, John David Scull; 1948, A.C.A.; 52 Alexandra Park Road, Muswell Hill, London, N10.
Bowes, Ronald Turner; 1948, A.C.A.; (Bowes & Co), Saltdean Lodge, Rottingdean, Sussex.
Brown, John Cedric; 1939, A.C.A.; (John Adamson, Son & Co), 1 Chancery Place, Booth Street, Manchester, 2.
Buckingham, Thomas George; 1939, A.C.A.; (A. T. Chenhalls & Co), 115 Chancery Lane, London, WC2.
Campbell, Kenneth Dryden; 1950, A.C.A.; 16 Cheltenham Parade, Harrogate.
Friend, Bernard; 1951, A.C.A.; (Kruger, Friend & Co), Princes House, 190 Piccadilly, London, W1, and 1 Cranhurst Road, Willesden Green, London, NW2.
Goffin, William Michael; 1951, A.C.A.; (*Webster & Goffin), 23 Commercial Street, Mansfield, Notts.
Greenbury, Edward Charles; 1950, A.C.A.; 52 Christchurch Avenue, London, NW6.
Harvey, Walter; 1949, A.C.A.; 25 Lancing Close, Lancing, Sussex.
Jacobs, Elliot Norman; 1951, A.C.A.; (Elliot N. Jacobs & Co), 97 Jermyn Street, London, SW1.
Jones, David Herbert Mostyn; 1948, A.C.A.; (West & Drake), Sardinia House, 52 Lincoln's Inn Fields, London, WC2, and at Reading.
Lock, Wilfred Gordon, B.E.M.; 1948, A.C.A.; 16 Osterley Avenue, Isleworth, Middlesex.
Minter, Walter Harold; 1951, A.C.A.; (*Spain Brothers, Dalling & Co), 1 Pavilion Buildings, Brighton, 1, and at Worthing.
Nickson, Edward Anthony; 1950, A.C.A.; (Frank I. Nickson & Co), 2 St John's Walk, Blackpool.
Nickson, Frederick Stanley; 1931, A.C.A.; (Frank I. Nickson & Co), 2 St John's Walk, Blackpool.
Oldroyd, Ronald; 1946, A.C.A.; (W. L. Gallant & Co), 28 East Parade, Leeds, 1.
Orders, Derek Clive, B.A., LL.B.; 1945, A.C.A.; (d'Arcy Orders & Co), 80 Strand, London, WC1.
Palmer, Bernard William; 1936, A.C.A.; Little Doric, 7 Greenways, Hinchley Wood, Esher, Surrey.
Parker, Albert William; 1951, A.C.A.; (Edward Bedell, James & Co), College Chambers, 17 Brazennose Street, Manchester, 2.
Phillips, Desmond Tudor; 1948, A.C.A.; (D. R. Macdonald & Co), Abbey House, Baker Street, London, NW11.
Seward, William Eric Louis, M.C.; 1921, A.C.A.; (*Beattie, Duncan & Co), (*Carr, Dunn & Co), and (*J. A. Wilkie & Co), 91 & 93 Bishopsgate, London, EC2.
Symonds, William Reginald Flower; 1950, A.C.A.; (Mason & Son), 16 Buckingham Palace Gardens, Victoria, London, SW1.
Weaver, William Ronald Gerrard; 1930, A.C.A.; 'Combe Thicket', Inholmes Park Road, Burgess Hill, Sussex.

(2) That one associate be elected to fellowship under clause 9 of the supplemental Charter (Bye-law 37).

(3) That eighteen associates be elected to fellowship under clause 6 of the supplemental Charter (Bye-law 31).

(4) That two associates be elected to fellowship under clauses 6 and 31 of the supplemental Charter (Bye-law 31).

(5) That one applicant be admitted as an associate under clause 9 of the supplemental Charter (Bye-law 36).

A list of those who complete their fellowship or membership before June 19th will appear in *The Accountant* on June 23rd.

Institute Staff

Mr K. H. Saunderson, A.C.A., has been appointed to assist in the work of the Taxation and Research Committee and Mr M. A. Smith, B.A., Barrister-at-Law, has been appointed as Secretarial Assistant.

Registration of Articles

The Secretary reported that 86 articles of clerkship were registered during the month of May as compared with 93 in the previous May.

Resignation

The Secretary reported the resignation of:

Mrs Christine Elaine Shepherd, A.C.A., Chislehurst.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Cyril Joseph Dawson, F.C.A., Wolverhampton.
,, Geoffrey Hampton Lingard, A.C.A., Wolverhampton.
,, Farrar Wolferstan Thomas, O.B.E., F.C.A., Guernsey.
,, William Edmund Watson Todd, A.C.A., Liverpool.

Mr K. Lamont Smith, M.A., F.C.A.

Mr Kenneth Lamont Smith, M.A., F.C.A., who is on a visit to this country from South Africa, was received by the Council at the conclusion of its formal business. The President extended to him a hearty welcome to which Mr Lamont Smith suitably replied.

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* placed against a Firm Name signifies that the Firm is not exclusively composed of members of the Institute.

INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

Sixty-sixth Annual General Meeting and Conference

The sixty-sixth annual general meeting and conference of the Institute of Municipal Treasurers and Accountants commenced at Eastbourne last Wednesday, June 13th, and finished yesterday, Friday, June 15th. It was attended by some 1,200 delegates from local and public authorities throughout the country and was preceded on the Tuesday evening by a reception and dance at the Winter Garden by invitation of the President, Mr William Adams, F.I.M.T.A., F.S.A.A., and the Council of the Institute.

On the Wednesday morning, after an official welcome by the Mayor of Eastbourne, the conference opened with the presidential address of Mr Adams, which is mentioned in a leading article in this issue. Consideration of Part A of the annual report of the Council followed, then the presentation of prizes awarded on the results of the examinations held in August 1950 and January 1951.

The sixty-sixth annual general meeting of members was held in the afternoon, and the annual dinner and dance took place at the Grand Hotel that night.

ANNUAL REPORT

We give below extracts from Part A and Part B of the report of the Council for 1950–51.

Revaluation Procedure

6. Following the transfer of valuation duties from rating authorities to the Inland Revenue the Council have kept in close touch with officers of the Inland Revenue, and have discussed a number of problems with them. In particular, an undertaking has been given by the Inland Revenue that as much information as possible about the reasons for and the basis of suggested alterations in values will be supplied to rating officers so that they may be in a position to advise their authorities considering these matters.

Consolidated Loans Fund Schemes

7. The last report announced the appointment by the Council of a sub-committee to study and make recommendations to the Ministry of Health on proposals for the amendment of the Model Scheme of Consolidated Loans Fund. This sub-committee has now completed its work and its observations are being studied by the Ministry of Local Government and Planning.

Electricity Act, 1947: Compensation for Severance

8. During the year the Ministry of Fuel and Power issued their regulations governing the distribution of the sum of £5 million for which provision was made by Section 23 of the Electricity Act, 1947, and payment has been made accordingly. It has been made clear that the method of accounting for the sum received is left to the discretion of the receiving local authority but that the Ministry of Local Government and Planning will have regard to the normal practice of the authority in dealing with receipts of this nature when calculating equalization grant.

Education: Salaries of Officers on Capital Works

9. Because of the limits placed on the total amount of capital work which may be charged to revenue, some authorities have felt concern at the requirement of the Ministry of Education that the apportioned amount of salaries of the architect's and other administrative departments should be charged to 'capital expenditure from revenue' rather than to administration. The Council have advised members that the Ministry's requirement represents the correct accountancy treatment; but they have been assured that, where necessary, adjustments will be made in the permitted limits of 'capital expenditure from revenue' to allow this to be done.

Electricity (Pension Rights) Regulations, 1948

10. The Council have followed closely the consultations between representatives of the local authority associations and the British Electricity Authority about the method of valuing assets of superannuation funds on transfer, and have noted the decision now reached by the Electricity Authority that assets must be valued at the same time as liabilities and that any depreciation in the value of those assets before the date of payment must be made good by the local authority.

House Maintenance Repairs

17. The Metropolitan and Home Counties Branch have prepared a memorandum on the costing of house maintenance which has been sent to all other branches with a view to its adoption wherever possible. The Council, while agreeing that complete uniformity in these matters may not be possible, commend the memorandum to members. They propose to examine the results at a later date when the suggestions contained in the memorandum have been acted upon.

Research Studies

19. The following research studies will have been completed and in the hands of the printers by the time this report is issued: (*a*) 'Methods of making payments and analysing expenditure used by local authorities in England and Wales'; (*b*) 'Methods of keeping ratepayers' accounts used by local authorities in England and Wales'; (*c*) 'Allocation of central establishment charges'.

Several of the other remaining studies are nearing completion and the Council hope to publish a number of other studies in the coming year.

New Research Studies

20. Two new research studies have been commenced. A research team from the Metropolitan section has undertaken a research into 'Superannuation administration', and a team of associates from the Hertford-

shire County Treasurer's Department is investigating the various uses of 'The revenue budget' as a means of financial control.

Schedule A Maintenance Claims

32. Section 67 of the Income Tax Act, 1945, provides that in computing, for the purposes of Rule 8 of No. V of Schedule A, the cost to any person of maintenance, repairs, insurance, and management, there shall be left out of account any expenditure incurred by him on or after April 6th, 1946, in so far as it has been or is to be met directly or indirectly by the Crown or by any government or public or local authority, or by any person other than the first-mentioned person.

The restriction imposed by this section has a particular bearing on maintenance claims made under Rule 8 in connexion with dwelling-houses in respect of which income and expenditure passes through the statutory housing revenue accounts. During the year the Income Tax Committee have negotiated with the Inland Revenue a new agreed rule which has now been circulated to members.

The agreed rule provides that in interpreting the word 'indirectly' used in the section no regard shall be had to any part of the statutory rate contribution or any additional rate contribution required to make good the deficit on the housing revenue account, even though these may contain some measure of subsidy in the form of equalization grants etc. The principles applied in Rule 55 to the computation of tax liability for housing interest are then applied to the Schedule A maintenance claim calculation.

Electricity Undertakings: Loss Claims

33. The last annual report referred to representations that had been made by the Income Tax Committee to the Inland Revenue for the restoration of the concession whereby wear and tear allowances not fully utilized may be used for the purpose of creating or augmenting a statutory loss for income-tax purposes, thereby enabling a claim to be submitted in certain circumstances for repayment of tax under Section 34 of the Income Tax Act, 1918. The matter was taken up again with the Inland Revenue but the Income Tax Committee were informed that the withdrawal of the Section 34 concessional treatment was a result of a decision taken at the highest level on the grounds that the Electricity Act, 1947, requires that all unexhausted capital allowances shall vest in the British Electricity Authority, and therefore it would be wrong to make a repayment to local authorities under an arrangement which was purely concessional. Secondly, it had been decided that all outstanding claims under the concession would be affected by the decision even though they might include several years prior to vesting date.

The Institute and Public Boards

43. The Council of the Institute has carefully studied the problems arising from the extension of the activities of members of the Institute into public boards and similar authorities. The latest edition of the year book shows that some 550 out of a total of 4,000 fellows, associates, and students are now serving those authorities. The branches and other sectional organizations of the Institute have been invited to examine their structure and their system of meetings to ascertain what changes can be made which will increase their usefulness in the wider sphere of responsibility.

Examinations

47. Because of the change recently made in the form of the school-leaving certificate, the Institute, in common with other professional bodies, has had to determine what educational certificate should be required to qualify for admission to the Intermediate examination. The Council have decided that the basic requirement for candidates who wish to sit for the first time after November 1951 will be the possession of a General Certificate of Education with passes at ordinary level in five subjects, which must include mathematics and English or English language, at one and the same examination.

Roll of Membership

52. The membership of the Institute as at January 2nd, 1950, and January 1st, 1951, was:

	January 2nd 1950	*January 1st* 1951
Honorary Members ..	425	331
Members: Fellows	461	473
Associates ..	1,344	1,529
Students	1,989	1,994

Examinations

66. The revision of the syllabus previously announced has now been extended to cover the Gas Service and the alternative papers may be taken by those candidates entitled as from the November 1951 examination.

67. The Examinations and Membership Committee has constantly under review the conduct of the examinations and a special sub-committee has been appointed with the object of ensuring that the questions set and the standards of marking shall continue to conform with the aim that those passing the examinations are well fitted to carry out the duties of a chief financial officer.

August 1950 and January 1951

69. A summary of the results of the examinations held in August 1950 and January 1951 is given below. The 1,307 entries in January 1951 constituted an all-time record number.

AUGUST 1950 – SUMMARY OF RESULTS

	Intermediate		*Final, Part I*		*Final, Part II*		*Total*	
	No.	%	*No.*	%	*No.*	%	*No.*	%
Passed ..	105	21	108	40	64	20	277	25
Failed ..	404	79	165	60	259	80	828	75
	509	100	273	100	323	100	1,105	100

JANUARY, 1951 – SUMMARY OF RESULTS

	Intermediate		*Final, Part I*		*Final, Part II*		*Total*	
	No.	%	*No.*	%	*No.*	%	*No.*	%
Passed ..	106	20	134	44	186	40	426	33
Failed ..	425	80	173	56	283	60	881	67
	531	100	307	100	469	100	1,307	100

Accounts of the Institute

75. The revenue account for the year ended December 31st, 1950, and the balance sheet at that date are

published as an appendix to this report.[1] The accounts have been audited by the honorary auditors, and the thanks of the Council are due to them for their services. As a result of the year's working there is a surplus of income over expenditure of £4,883.

Officers and Council, 1951-52

76. As already announced, the following fellows have been elected to the respective offices for the year 1951–52:

President: Mr Jack Whittle, County Treasurer, Nottinghamshire C.C.

Vice-President: Mr C. H. Pollard, O.B.E., City Treasurer, Kingston upon Hull.

Hon. Treasurer: Mr H. R. Ralph, Treasurer to Harrow U.D.C.

[1] Not reproduced. – Editor.

PUBLIC CORPORATIONS

On Thursday, two of the papers summarized below were read; there was a ladies' outing to Brighton; and in the evening a reception, dance and cabaret by invitation of the Mayor and Corporation of Eastbourne.

The following day, before the investiture of the President-elect and the presentation of a Past-President's badge to the retiring President, a third paper, also surveyed below, was delivered, and the conference concluded at lunch time. A golf competition for men took place in the afternoon.

Sir Edgar Sylvester, K.B.E., F.C.A., chairman of the Gas Council, who spoke on 'The management and control of public corporations', defined a public corporation as an organization created by Act of Parliament with members appointed by a Minister or by procedure laid down by Parliament, free from day-to-day Parliamentary control, financially autonomous and required to match expenditure with income, one year with another. He compared the methods of management used in the nationalized industries of coal, transport, electricity and gas and in two privately owned undertakings, Imperial Chemical Industries Ltd, and Lever Bros. and Unilever Ltd. In the first group there was a variation from the high degree of centralization in the National Coal Board to the almost complete autonomy of the area boards of the Gas Council. Imperial Chemical Industries had twenty directors, six of whom covered the main types of activity of the company and seven of whom had functional responsibilities. Eleven management divisions under division boards had considerable local autonomy. Lever Bros. had a maximum of twenty-five directors, all full-time, with managerial appointments. The board was divided into two groups, operating on different levels. At the higher level was a special committee of (usually) four directors who dealt with major policy while, at the lower level, four other groups controlled the activities of the organization. After a further survey, Sir Edgar summed up his remarks on management by saying that centralization and decentralization were not opposite policies but methods to be employed, each in its rightful place. Accountancy was an example of a function which could often be centralized as regards policy but decentralized in operation.

Sir Edgar concluded with a review of the various forms of control which were exercised on publicly-owned undertakings. He thought that in the gas industry at present there was ample provision for public accountability although there might be scope for general reviews at intervals of not less than seven years.

RATING: IMPLICATIONS OF REVALUATION

It is intended that the revaluation for rating, now taking place, should be completed in time to bring the new valuation lists into force on April 1st, 1953. After a historical survey of the history of rating during this century, Mr Stanley William Hill, A.I.M.T.A., financial adviser to local authorities, went on to examine, in the first part of his address, the details of the new valuation code, about which he had much to criticize. The general effect of the different methods adopted, in his opinion, could only be a complete lack of uniformity, both between areas and between similar types of property in the same area. Mr Hill estimated that, as a result of the revaluation, rateable values would increase, on the average, by 22 per cent, with a consequent average decrease in rates, *ceteris paribus*, of 3*s* 3*d* in the £. The increase would not be spread evenly over all classes of property. More than half of it would fall on industrial and commercial property. As, however, industrial property was already largely exempt from rates, the greater part of the additional burden would have to be borne by commercial property and, in a lesser degree, by dwelling-houses, increased by 14 per cent.

In conclusion, Mr Hill said that in consequence of the revaluation, the Exchequer Equalization Grant would not be able to function with equity, and that the declared aim of equal contributions to local expenditure by similar ratepayers would be frustrated. The cure, he thought, lay in a reversion to the principles laid down in the Rating and Valuation Act of 1925.

LOCAL FINANCE: A NEW APPROACH

In his paper, 'Local finance: a new approach', Mr Roland Bird, deputy editor of *The Economist*, began by analysing some of the changes in the broad structure of local government finance consequent upon the advent of the welfare state. He demonstrated, by means of statistics based on the most recent White Paper on National Income (Cmd. 8203), that the real burden of rates had fallen perceptibly since 1938, as had also the real income of the local authorities from rating as compared with their revenue from central government grants. Also, the distribution of the rate burden between income classes, over the same period, had become more, rather than less, regressive. That is to say, the main proportionate contribution to rates still came from persons with less than £500 per annum, after paying income-tax, in, if anything, a greater degree than before, although the regrettable lack of information on the distribution of rates between dwelling-houses, business premises and 'productive industry' made the exact position obscure.

Mr Bird thought that revaluation may do something to ameliorate the burden placed on the lower income groups but the benefit would not be available for two years yet. He also thought that the whole question of de-rating, both agricultural and industrial, should be re-examined. After considering and rejecting the suggestion of a local income-tax, he returned to the view that the rate principle was sound. There was, he said, too much unnecessary concern about poundage. The levying of rates at 20*s* or more in the £ argues not that the poundage is objectionably high but that the assessment is objectionably low. He urged the authorities to cherish their independence and to show frankness and courage in preserving our democratic rights.

IN PARLIAMENT

Income Tax Debts

Sir J. MELLOR asked the Chancellor of the Exchequer what action had been taken by the Commissioners of Inland Revenue in pursuance of Regulation 30 of the Income Tax (Employments) Regulations, 1950, before its rescission on May 25th, 1951; and, in view of the advice of the Law Officers that the regulation was *ultra vires*, what redress he proposes for persons adversely affected.

Mr GAITSKELL: Income-tax debts of the type to which this regulation applied had been recovered by the Commissioners of Inland Revenue as preferential debts in cases of bankruptcy, winding-up, etc., in accordance with the terms of the regulation. The Commissioners are arranging to make any necessary repayments as soon as practicable, on the basis of what would have been paid had the regulation never been made.

Hansard, June 5th, 1951. Written Answers, Col. 85.

Income Tax: Teachers' Allowances

Mr DONNELLY asked the Chancellor of the Exchequer if he will consider income-tax concessions to teachers in respect of purchases by them of books which are essential to their daily work.

Mr GAITSKELL: I am afraid I cannot agree to any special concessions for teachers. They are already entitled, like other employees, to an allowance for expenses which they incur wholly, exclusively and necessarily in the performance of their duties.

Hansard, June 5th, 1951. Written Answers, Col. 87.

Dockyard Accounts: Control

Sir W. SMITHERS asked the Parliamentary Secretary to the Admiralty if his attention has been called to the criticisms of financial control and misappropriation of Admiralty funds in Sections 9 to 15 of the second report from the Committee of Public Accounts, Command Paper No. 183; and what action has been taken to prevent a repetition of these and similar practices.

Mr CALLAGHAN: Yes. In small establishments similar to the one referred to in the Public Accounts Committee report, the standing instructions for surprise checks at irregular intervals have been reinforced and other changes in machinery of checking have been made. At the large dockyards I am satisfied that the procedure followed is already adequate for its purpose.

Hansard, June 6th, 1951. Written Answers, Col. 118.

Air Ministry Accounts: Control

Sir W. SMITHERS asked the Secretary of State for Air if his attention has been called to the criticisms of the financial control and misappropriation of his department's funds in Sections 9 to 15 of the second report from the Committee of Public Accounts, Command Paper No. 183; and what action has been taken to prevent a repetition of these and similar practices.

Mr A. HENDERSON: Yes. I have seen the remarks of the committee about the control of public funds held by the Service departments. So far as the Air Ministry is concerned, the procedure for the control of such funds has proved generally effective and any misappropriation which may occur is investigated as a matter of course, in order to determine whether the existing regulations are water-tight and, if not, whether there is any direction in which they could with advantage be altered.

Hansard, June 6th, 1951. Written Answers, Col. 128.

Messrs Tate & Lyle: Expenditure

Mr DRIBERG asked the Chancellor of the Exchequer if he is aware of the decision by the Tax Commissioners that expenditure by Messrs Tate & Lyle on their anti-nationalization campaign was wholly for trade purposes and is therefore tax-free; and what steps he proposes to take to ensure that excessive expenditure on political propaganda by business firms will not in future rank as tax-free trading expenses.

Mr JAY: I am aware of the decision to which my hon. friend refers; but as the Inland Revenue authorities have given notice requiring the Commissioners concerned to state a case for the opinion of the High Court, the matter is *sub judice* and my hon. friend will, therefore, not expect me to comment further at this stage.

Hansard, June 6th, 1951. Written Answers, Col. 131.

Festival Gardens Ltd: Report

The Lord Privy Seal (Mr STOKES): Sir, with your permission and the leave of the House, I wish to make a statement about publishing the reports of the investigations into the finances of Festival Gardens Ltd.

I have now received from the board a report on the second investigation instituted by it at my request, which covers operations on the site. I have carefully weighed the advice I have received on the possible effect of publication on the company's position in negotiating settlements with the various interests concerned, and I propose, before the second reading of the Festival of Britain (Additional Loans) Bill, to lay on the table a White Paper conveying the results of the two investigations carried out for the company, together with any comments the board of the company may wish to make on them.

Mr HAROLD MACMILLAN: Does what the Minister has just said mean that he hopes to have completed negotiations for the settling of outstanding matters before the Bill is brought before the House?

Mr STOKES: The settlement of outstanding matters is not my concern. Any question of settlement between the company and the contractors is the affair of the

company. I am desirous only that the House should be as fully informed as possible about what has happened by publishing the report before the second reading of the Bill.

Mr MACMILLAN: I am obliged to the right hon. gentleman. I assume that that means the White Paper, when published, will contain the full reports as received by the Minister?

Mr STOKES: That is my intention.

Sir R. GLYN: When the White Paper is published, will the right hon. gentleman draw a distinction between the Festival Gardens and the South Bank position?

Mr STOKES: I do not think there is any confusion at all in the reports. The South Bank does not come into it at all. They are reports made by two sets of independent accountants into the affairs which produced this rather unexpected extra cost, and were made at the request of the company at my instigation. It has nothing to do with the South Bank.

Sir R. GLYN: Is the South Bank overspending not to be inquired into at all?

Mr STOKES: That is not the question. I am really not aware that the South Bank has overspent. So far as my information goes, while some items on the South Bank cost rather more than expected, the overall expenditure is within the total limit.

Mr MACMILLAN: Having regard to the desirability of the company settling these matters before the reports are published, can the right hon gentleman say what effect that will have on the date when we may expect the introduction of the Bill?

Mr STOKES: The Bill is coming on almost immediately. The second reading will perhaps be taken the week after next.

Mr SANDYS: In view of the slight confusion there was the other day, when the Leader of the House answered a question in the absence of the right hon. gentleman, may we have it quite clear this time that the intention is to publish both reports in full in the White Paper?

Mr STOKES: That is what I said. The reports, as put in by Messrs. Moores, Carson and Watson, and Messrs Peat, Marwick, Mitchell, will be in the White Paper, together with any comments which the board of Festival Gardens Ltd, ask to be published at the same time.

Mr H. A. PRICE: Will the Minister consider having the White Paper printed in red?

Sir H. WILLIAMS: Will the White Paper be accompanied by any white sheets of repentance?

Hansard, June 6th, 1951. Col. 1018.

The Lord Privy Seal (Mr STOKES): With your permission, Mr Speaker, and that of the House, I would like to take this first opportunity of removing any misunderstanding which may have arisen from my answers yesterday to supplementary questions regarding the publication of reports on Festival Gardens Ltd.

I would confirm that, as I then stated, the promised White Paper will contain the actual reports put in to Festival Gardens Ltd by Messrs Moores, Carson and Watson and Messrs Peat, Marwick and Mitchell, the two firms of chartered accountants concerned. I must, however, make it clear that, in both these cases, earlier interim versions were submitted in great haste more than a month ago, and these earlier versions, which have in both cases been superseded by the later versions, will not appear in the White Paper.

The revised report of Messrs Moores, Carson and Watson summarises their findings and conclusions, but omits certain facts and figures, publication of which at this stage would, I am advised, prejudice a satisfactory business settlement of outstanding claims against Festival Gardens Ltd. Neither the company nor I have edited, or will in any way edit or expurgate, the reports as they have finally been submitted by the independent chartered accountants themselves.

Mr EDEN: I think perhaps I ought to say that we had no warning at all of what the right hon. gentleman has just told us, and that it was not very easy to follow, offhand. I think we shall have to consider the position and examine the statement.

Mr DUNCAN SANDYS: Can the right hon. gentleman assure us that the omissions in the two reports which he is to submit to the House result from a quite independent decision of the accountants, and were not inspired or suggested by the Government?

Mr STOKES: I am very glad to have the opportunity of reaffirming what I said yesterday, and what I have said all along. I have nothing whatever to conceal, and I should be very glad indeed if the preliminary reports could be published as well. They were made in haste, because I wanted to get on and make changes. Subsequently, they were found to contain inaccuracies and certain facts and figures, which, if published, I am advised, would prejudice the negotiations between the company and the contractors. I can assure the right hon. gentleman that we have nothing whatever to hide. I did ask that the papers should be sent to the right hon. gentleman this morning, but they may have gone to the right hon. gentleman who asked the supplementary questions yesterday.

Sir JOHN MELLOR: Will all the facts and figures omitted in these publications be subsequently published?

Mr STOKES: That just depends whether the House wishes it. I should not stand in the way.

Hansard, June 7th, 1951. Col. 1234.

NOTES AND NOTICES

The Institute of Chartered Accountants in England and Wales

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the Supplemental Royal Charter of December 21st, 1948, at a hearing held on May 9th, 1951.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that five members of the Institute, in partnership together, had been guilty of an act or default discreditable to a member of the Institute within the meaning of Section 21, subsection (3) of the Royal Charter, in that they accepted nomination as auditors of a limited company without first communicating with the then auditors of that company, so as to render themselves liable to exclusion or suspension from membership of the Institute.

The committee found that the formal complaint had been proved against one of the partners only and decided that he be admonished, but that there existed special circumstances which justified the omission of his name from the publication of the finding and decision. The committee found that the complaint was not proved against the other four partners in the firm.

London and District Society of Chartered Accountants

The ninth annual general meeting of the London and District Society of Chartered Accountants will be held on Thursday next, June 21st, at 6 p.m. in the Oak Hall of The Institute of Chartered Accountants in England and Wales, Moorgate Place, London, EC2.

Death Duties

DEATH DUTIES (RELIEF AGAINST DOUBLE DUTY) (CYPRUS) ORDER, 1951

The explanatory note to this Order,[1] made on May 31st, 1951, reads as follows:

> 'The Order applies the provisions of Section 20 of the Finance Act, 1894, to the Colony of Cyprus. Section 20 provides by way of Order in Council for relief from double death duties within the Commonwealth and Empire in the case of property situate in any Dominion or Colony which does not levy duty on property situated in Great Britain or in which a reciprocal allowance is made.
>
> 'The principle of the relief is that where a deceased person was domiciled at his death in Great Britain and duty is payable in a Dominion or Colony on property situated within its territory, the amount of the duty so paid is allowed against the estate duty payable in Great Britain on that property.'

A similar Order cited as the Death Duties (Northern Ireland) (Relief against Double Duty) (Cyprus) Order, 1951,[2] was also made on the same day.

[1] S.I. 1951 No. 970. H.M.S.O. 2*d* net.

[2] S.I. 1951 No. 969. H.M.S.O. 2*d* net.

The Institute of Actuaries

The annual general meeting of the Institute of Actuaries is to be held at the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2, on Monday next, June 18th, at 5 p.m.

Correspondence

We regret that because of pressure on our space this week, we must postpone publication of letters to the Editor until our next issue.

Our Weekly Problem

No. 48: MISS ASSET'S SALARY

Mr L. U. Sidate was drawing a cheque for Miss Asset. 'I am afraid you have got the pounds and shillings the wrong way round', she said.

'No', said Mr Sidate. 'As you will be away next week I am paying you two weeks' salary.'

What was Miss Asset's salary?

The answer will be published next week.

ANSWER TO NO. 47: FARMING TECHNIQUE

If 1 cow clears a field in x weeks

20 cows clear the field in $\frac{x}{20}$ weeks

In 1 week they have cleared $\frac{20}{x}$ of the field.

If the grass grows at the rate of 1 cow's consumption in y weeks.

In 1 week the grass has grown $\frac{1}{y}$ of the field.

In 1 week with the grass growing and the cows eating, the field is $\frac{1}{3}$ cleared.

$$\therefore \frac{20}{x} - \frac{1}{y} = \frac{1}{3} \qquad \text{similarly } \frac{21}{x} - \frac{1}{y} = \frac{1}{2}$$

$$\text{giving } x = 6 \text{ and } y = \frac{1}{3}$$

The grass grows at the rate of 3 cows' weekly consumption per week. Mr Farmer therefore bought 3 cows for each field, i.e. 6 cows.

OFFICIAL NOTICES

Docks and Inland Waterways Executive

VACANCY FOR SENIOR CLERK

CHIEF FINANCIAL OFFICER'S DEPARTMENT, HEADQUARTERS

Applications are invited for the position of SENIOR CLERK in the Chief Financial Officer's Department at the Headquarters Office of the Executive. Applicants should be qualified Accountants and have had good experience of accounting methods as applied to a large undertaking. Knowledge of departmental costing and mechanical accounting would be an advantage.

The salary will start at £560 per annum, rising to £610 per annum.

Applications, giving details of age, qualifications, experience, present position and salary, etc., should be addressed to the Secretary, 22 Dorset Square, London, NW1, to arrive not later than June 23rd, 1951.

North of Scotland Hydro-Electric Board

Applications are invited for the post of AREA ACCOUNTANT for the Aberdeen Area; a qualified man with wide accounting experience. Preference will be given to applicants holding a recognized accountancy qualification and with experience either in the Electricity Supply Industry or other comparable commercial undertakings.

Salary will be according to negotiated scales and within the range £850–£1,050 per annum with placing according to qualifications and experience. Superannuation scheme in force.

Application forms, obtainable from the Area Manager, North of Scotland Hydro-Electric Board, Milburn Street, Aberdeen, should be returned within fourteen days of the appearance of this advertisement.

ALEXR. GARDNER,
June 4th, 1951. *Area Manager.*

Liverpool Regional Hospital Board

Applications are invited for the appointment of CHIEF ACCOUNTANT in the Treasurer's Division from persons holding the Final examination certificate of the Institute of Municipal Treasurers and Accountants or other recognized accountancy body.

Salary £685 × £25–£760 per annum. (The salary scales are at present under review.)

The appointment is pensionable and the successful candidate may be required to pass a medical examination.

Applications, stating age, qualifications, present and previous appointments, and experience, together with the names and addresses of three referees, should be sent to the undersigned at 19 James Street, Liverpool, 2, not later than June 26th, 1951.

VINCENT COLLINGE,
Secretary to the Board.

Northern Gas Board

INTERNAL AUDIT ASSISTANT

Applications are invited for the appointment of INTERNAL AUDIT ASSISTANT on the staff of the Chief Accountant.

Applicants must have passed the Intermediate examination of a recognized accountancy body.

Commencing salary within the range £500–£580 per annum.

The successful candidate will be required to pass a medical examination, and the appointment will be subject to the provisions of such superannuation scheme as may be made for the Gas industry.

Applications, stating age, experience and qualifications, giving the names and addresses of two persons to whom reference may be made, should be addressed to the Chief Accountant, Northern Gas Board, 30 Grainger Street, Newcastle upon Tyne, 1, to arrive not later than Saturday, June 23rd, 1951.

JOHN F. JACKSON,
Secretary.

South Eastern Gas Board

Kent County Division

GROUP ACCOUNTANT, TUNBRIDGE WELLS GROUP

Applications are invited for the above-mentioned position. The selected candidate will be responsible to the Group Manager for all accounting work within the group, but excluding responsibility for rental.

Preference will be given to applications from persons who have passed the Final examination of a professional accounting body.

Subject to the possession of the necessary qualifications, the commencing salary will be within Grade 12 of the National Salary Scales, Provincial 'A' in respect of administrative, professional and technical staffs (£695–£820 per annum) according to experience.

Applications in writing (quoting reference V17/165), giving age, present occupation, experience, qualifications, etc., should reach the undersigned not later than fourteen days after the publication of this notice.

R. J. MCCRAE,
Katharine Street. *Personnel Manager.*
Croydon.

The North Eastern Electricity Board

PRINCIPAL ASSISTANT, ACCOUNTANT'S DEPARTMENT,
WEAR SUB-AREA

Applications are invited for the position of PRINCIPAL ASSISTANT in the Wear Sub-Area, Accountant's Department, with headquarters at Sunderland.

The appointment will be within Grade 8 of the National Joint Council Salary Agreement, viz. £795 × £35–£900 per annum, commencing salary according to experience and qualifications.

The selected applicant will be required to enter the British Electricity Authority and Area Boards Superannuation Scheme.

The successful candidate will be responsible to the Sub-Area Accountant for the supervision of staff in the department. It is essential he should have a sound practical knowledge of Accountancy, including Consumer Accounts and Costs and Stores Accountancy, preferably in a public utility undertaking. Knowledge and experience of a punched-card accountancy system will be an advantage.

Applications in writing, stating age, qualifications and experience, together with the names and addresses of two persons to whom reference may be made, should be forwarded to the Secretary, Establishments Section, The North Eastern Electricity Board, Carliol House, Newcastle upon Tyne, 1, within 10 days of publication of this advertisement.

Candidates who applied for this vacancy, previously advertised within Grade 7, will receive consideration without renewing their application.

Eastern Gas Board (Cambridge Division)

Peterborough Group

ASSISTANT TO GROUP ACCOUNTANT

A suitably QUALIFIED ACCOUNTANT, 30 to 40 years of age, is required to assist the Group Accountant in the control of the financial and costing activities of six Gas Undertakings attached to the Peterborough Group.

Applicants should hold, or have held, one or more executive accounting appointments and should be conversant with modern financial and cost accounting methods and records.

Experience in the gas industry is desirable.

The salary will be in accordance with Grade 9 (£570–£670) of the National Joint Council for Gas Staffs Salary Scales and the commencing salary within this grade is dependent on the experience of the person appointed.

Applications, stating age, and giving full particulars of qualifications and experience, together with the names of two referees, should be sent to the General Manager, Eastern Gas Board (Cambridge Division), 52 Sidney Street, Cambridge, within fourteen days of the publication of this advertisement.

The Accountant

ESTABLISHED 1874

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THE FINANCE BILL, 1951: THE COMMITTEE STAGE – II

The charge to profits tax

THE Opposition's attack on clause 24, which raises the profits tax from 30 per cent to 50 per cent and increases non-distribution relief from 20 per cent to 40 per cent, took two main forms. In the first place, they supported an amendment increasing non-distribution relief from 40 per cent to 45 per cent; this was defeated by 292 votes to 285. Secondly, they criticized the principle of profits tax in general terms, and the heavy burden placed on the resources of industry by the high rates now in operation. The amendment itself was not very adequately argued on either side and the speakers were clearly more interested in the wider issues.

The Opposition case was stated against rather a different background this year. On the one hand, the MILLARD TUCKER Committee have come down against a revision of the basis of taxation of profits; on the other, increased dividends, rising equity share values, the over-subscription of new issues and, above all, high company profits, have made the realities of shortage of industrial capital more than usually difficult to demonstrate.

Dividend increases for the first five months of the year were quoted as being 10.7, 9.7, 14.4, 8.5 and 8.8 respectively. MR DAVID ECCLES thought that many companies should have reduced their dividends instead of increasing them in view of the rising cost of replacements and many of his political opponents suggested that the increases disproved the alleged shortage of capital. Several Conservative speakers, however, argued that in a period when the £ is falling in value increases were natural and proper, especially in view of the need to encourage saving and that the Government had acknowledged this by their action in other fields. Thus, the interest rates on new savings certificates were 20 per cent higher and the Government-sponsored Agricultural Mortgage Corporation had recently raised its interest rate from 4 to 4¼ per cent.

In considering the inflationary effect of increased dividends, MR SELWYN LLOYD, who moved the amendment referred to above, suggested that it was misleading to consider percentages rather than actual figures; a 1 per cent increase means £8 million, whereas a similar increase in wages and salaries means £72 million. Another speaker said that during the last three years wages and salaries have risen 25 per cent.

One of the reasons given for the rise in equity shares was that these shares provide a partial hedge against inflation. MR PHILLIPS PRICE agreed, and said it was all the more reason to clip the hedge

and it was that that the CHANCELLOR was doing in this clause. Later on in the debate, it was stated that the rise in share values did not mean that capital was abundant but that investors were switching from gilt-edged securities.

Much of the argument, which was temperately put on both sides, covered familiar ground, but there was an interesting switch in emphasis. High profits were criticized rather than higher dividends and the ground of the criticism was not that too small a share was going to the worker but that they were caused by too high prices which were raising the cost of living. This was put in striking fashion by MR STANLEY EVANS, a former Labour Minister, who said he was speaking as an industrialist. He instanced an important industrial commodity which had cost £20 on January 1st, 1950, and which cost £35 on January 1st, 1951, as a result of four price increases. The last accounts of the manufacturers showed that their profits had risen 85 per cent on the previous year to amount to £17½ million (on a larger capital) and he concluded that the price increases could not all have been justified.

Speaking more generally, he said that the psychology of industry at the moment is to pass everything on to the consumer.

> 'We have got to the stage where we do not wait until our costs are increased; we anticipate the increase and get in first. . . . We seem to have lost the habit of thinking in terms of increased turnover and greater efficiency absorbing increased costs.'

He added that he thought that huge increases in profits are a strong deterrent to men pulling their weight in the factories.

The general case against the profits tax was most cogently put in the following passage which was quoted from a book by DR DALTON (which he had revised in 1935):

> 'A special tax upon business profits, such as the post-war British corporation profits tax, now repealed, was a bad tax from the present point of view. For it discriminated against a particular class of property-owners, namely, the ordinary shareholders in joint stock companies, as compared with all other classes, including debenture-holders and the holders of gilt-edged securities. It was, therefore, in effect, a tax on risk-bearing, and tended to divert the flow of capital from risky to comparatively safe investment. But in view of the need that risks should be taken and the reluctance of many investors to take them, this was a harmful diversion.'

DR DALTON did not intervene in the debate himself.

Other profits tax amendments

The Opposition pressed strongly, though without success, for an amendment exempting from the profits tax increase bodies whose business consisted wholly or mainly in letting houses, 75 per cent or more of which are subject to the Rent Restrictions Acts.

Clause 25 makes certain utility undertakings liable to profits tax as from January 1st, 1951. An amendment to exclude water companies from the clause failed but the Government agreed that sub-clause (1) (*b*), which prevents past losses from being taken into account, requires adjustment, at least as regards losses in and after 1947.

(*To be concluded.*)

TAXATION TREATMENT OF PROVISION FOR RETIREMENT

THE recent increase in income-tax rates has not improved the position of those taxpayers who are not able to take advantage of employee superannuation schemes and must therefore provide for old age and their dependants largely out of net taxed income.

Since its appointment over a year ago, comparatively little has been heard of the Committee on the Taxation Treatment of Provisions for Retirement which has this problem as one of its main terms of reference. These terms cover a highly complicated and technical subject, upon which a good deal of light has been thrown by the publication of the evidence submitted by the Inland Revenue Staff Federation. The Federation includes among its members the lower-paid staff of the tax inspecting branch of the Inland Revenue, the remaining staff of that branch being represented by the Association of His Majesty's Inspectors of Taxes. The evidence includes an

appendix containing a short summary of the existing tax relief provisions, the anomalies of which are to be examined by the Committee.

However, as the Federation points out, the Committee's main task is to deal with the problem facing the self-employed person, whose savings for retirement and his dependants qualify for income-tax relief only if they are in the form of life assurance premiums, and even then only to a very limited extent – normally at not more than two-fifths of the standard rate, while any income thereby secured does not qualify for earned income relief. He may well envy the employee who is a member of an approved superannuation fund under Section 32 of the Finance Act, 1921, and who receives on retirement an annuity of as much as two-thirds of his salary, paying no tax either on that part of his salary which goes in contributions or on the employer's contributions. The Federation observes with justice that many persons who might otherwise make a valuable contribution as independent members of their profession take posts which provide pensions or similar benefits. It points out further that as the present steeply graduated taxes on income and inherited capital make saving for old age almost impossible, self-employed people may be tempted to strengthen their position by capital transactions, legal evasion, or the deliberate adoption of devices to reduce their tax liability.

A likely proposal is to allow the self-employed man to deduct from his taxable income the contributions he makes to a superannuation fund set up by his own trade or professional association, but the Federation considers that this would be opposed by those persons who were already carrying a heavy burden of life insurance. The Federation does not favour an extension of life assurance relief itself, regarding it as an indulgence to 'what is, after all, an enterprise run mainly on commercial lines for private profit'.

The Federation's own suggested scheme adopts the principle of the 'post-war credit', although with rather more certainty about the repayment aspect. Under the scheme the Inland Revenue would pay to a pensions trustee a proportion of the tax collected from each self-employed person (or controlling director) over 25 years of age. There would be a maximum payment for each person of, say, £300 per annum, with extensions where there had been a previous long period of low profits. The trustee would invest these sums and accumulate the income free of tax until the individual contributor attained the age of 70, whereupon an annuity would be purchased for the life of the contributor and his surviving wife, with provision for any minor children who survive them. Death of the contributor before 70 would entitle the wife and children to similar benefits. At 70 a lump sum of, say, 25 per cent of the accrued benefits could be taken in lieu of part of the annuity. Persons of mature years at the inception of the scheme could make voluntary 'back service' payments to bring their prospective annuities to a reasonable amount. Benefits arising on death should either be exempt from estate duty or free from aggregation with the remainder of the estate.

The annual contribution would vary directly with the amount of income and inversely with the current tax rate, the contributor would have a stake in his own tax payment and therefore less temptation to withhold it, and instead of the Revenue dealing piecemeal with many different funds there would be one omnibus fund with a standardized administration. We would like the trustee of such a fund, if it were set up, to have power to hedge against inflation by means of a reasonably wide discretion in investment policy rather than that he should be confined to Government securities as proposed by the Federation, but we agree that it should be made perfectly clear that the fund shall be as immune from any raids by the CHANCELLOR as private trust funds now are. It is true that the post-war credit scheme has been largely discredited owing to the continued postponement of repayment, but, as the Federation points out, the proposed superannuation scheme would make it clear from the outset when benefits would arise.

The Federation considers that all National Insurance benefits, including pensions, should be exempt from income-tax and that no contributions should qualify for tax relief, thus saving a vast amount of detailed clerical work which at present largely cancels itself. Failing this, it recommends that State pensions to married women in return for their own contributions should qualify for 'wife's earned income relief' and 'double reduced rate' allowances, as in the case of other pensions which married women become entitled to through their own services.

GOODWILL AND TAXATION

by PETER WHITWORTH, Barrister-at-Law

The problems dealt with in this article are two; firstly, that of paying for goodwill out of profits during a period of high taxation; and secondly, that of mitigating estate duty in relation to goodwill or in relation to rights acquired as payment for it. Business assets other than goodwill can give rise to similar problems but goodwill is chosen, partly because the expenditure on it does not qualify for specific tax allowances but mainly because it is frequently the sole substantial asset of professions, and of many other businesses carried on by individuals and partnerships. Accountancy is the particular profession which is chiefly in mind here although the problems are not peculiar to it. The article is not concerned with the problems of defining the nature of goodwill or assessing its value, nor with the pitfalls awaiting those persons who buy goodwill without taking such additional covenants as may be necessary to preserve that value.

WHEN a professional or business man dies or retires, his share of goodwill can usually be turned to account only by some person who will carry on the profession or business concerned. More often than not such person is unable to buy the goodwill outright so that he has to pay for it in instalments out of a net income sadly depleted by income- and sur-tax. Moreover, where a partner has died, his executor may be forced to liquidate the business in order to raise estate duty. As long as the present taxation burden persists these problems cannot wholly be avoided but they are often made more acute by the failure to keep probable tax repercussions in mind when drafting partnership articles or agreements for sale of goodwill. It is perhaps a little ironical that this sometimes happens in the case of an accountancy practice, especially where the partnership articles have been drawn up from established precedents, sound enough in themselves but conceived in days when taxation was much lighter.

INCOME TAX

Purchase of Goodwill by Instalments

Suppose A. and B. are in partnership, the articles of which provide that on the death of one of them, the survivor shall be entitled to purchase his share of goodwill for, say, £3,000 payable in ten annual instalments. This is a common provision made with the laudable object of ensuring an income for the widow without placing too great a burden on the surviving partner. Suppose now that A. dies leaving a widow who has no income and that B. pays sur-tax on his earnings. He is unable to obtain any tax reduction in respect of his yearly payments which must be made out of his net taxed income, while the benefit of the widow's personal and reduced rate allowances is thrown away, because the £300 is not income for tax purposes (*Foley v. Fletcher* ((1858) 3 H. & N. 769)). Many people may well regard such a situation as illogical. Indeed, the statutes themselves contain, in another context, provisions designed to prevent taxpayers from receiving, in the guise of capital, sums which for practical common-sense purposes constitute income. Of course, if the widow's other income is very large and the surviving partner's income comparatively small, the situation outlined above may be a very desirable end from their point of view, but such a case would be unusual.

Tax Relief for Goodwill Payments

The problem here, then, is how to secure that the periodical payments made to the widow shall be deductible in arriving at the payer's income for tax purposes. This may be achieved on one of two grounds; either that the payment is an expense of carrying on the business, and therefore deductible in arriving at the profit, or that it constitutes an annual payment from which income-tax is deductible under Rule 19 or Rule 21 of the All Schedule Rules, Income Tax Act, 1918. In either case the payment goes to reduce the payer's income, but in the first case it is more likely to bring about a restriction of the payer's earned income allowance because it must perforce be set against his earned income, if any, whereas an annual payment may usually be set off primarily against unearned income. If the payer is a company liable to profits tax, payment as an expense is usually more advantageous. This aspect is dealt with in more detail below.

Annuity for Life

Perhaps the most certain way of obtaining relief in respect of periodical payments for the share of a retiring or deceased partner or predecessor is to make them payable to him or to his widow for life, without fixing any maximum. It is unlikely ever to be argued that there is any capital element in such a payment. However, payments which only determine on death have two disadvantages. The first is that the payer is usually reluctant to undertake such an uncertain liability, the longevity of annuitants being notorious. The second disadvantage is that annuities ceasing on death tend to attract liability to estate duty in some way, a subject which is dealt with below.

Periodical Payments for a Fixed Period

The payer's desire to restrict his total liability to a specific maximum should be met, but without expressly setting out that maximum in the terms of the articles or agreement, for once a capital sum is mentioned, it is difficult to resist the argument that the periodical payments are instalments of capital. See for instance *C.I.R. v. Ramsey* ([1935] 20 T.C. 79; 14 A.T.C. 533) and *Dott v. Brown* ([1936] 1 All E.R. 543; 15 A.T.C. 147). Subject to this, the fact that a periodical payment of a fixed amount is restricted to a specific number of years does not alone prevent it from being an annual payment for tax purposes, although it is the simplest arithmetic to determine the aggregate amount of the payments. However, if the total amount can be thus calculated it is important that the article or agreement should not take the form of an out-and-out assignment of goodwill or of a share of goodwill because that fact tends to invest the periodical payments with a capital nature (*C.I.R. v. Ledgard* ([1937] 21 T.C. 129; 16 A.T.C. 68)). The payer is usually concerned only to acquire the right to make use of the goodwill, not to buy and resell it as a speculation, so that this limitation is not usually an onerous one.

Perhaps the high-water mark in favour of the payer was reached in *Mackintosh v. C.I.R.* ([1928] 14 T.C. 15; 7 A.T.C. 209). The appellant was the widow of the senior partner in a firm of cotton merchants, the articles of which contained, *inter alia*, the following provision:

> 'In the event of the death of one or both of the senior partners the remaining partners or partner may continue the use of the firm name and established grade "marks" and goodwill paying quarterly to the trustees of the deceased senior partner or partners the sum of £500 each for a period of five years for this privilege after which it may be enjoyed without further payment. . . .'

After making these payments in full for some years, the firm began to deduct tax. The widow appealed against a sur-tax assessment upon her one-half share in the quarterly payments, but the assessment was confirmed by the Special Commissioners and her appeal to the High Court was dismissed by Rowlatt, J., who remarked, however, that the question was a very narrow one. His lordship with some hestitation, rejected the widow's contention that a sale of the goodwill had taken place, although the resemblance of this case to one of hire-purchase is obvious. The decision quoted cannot be relied on except where the facts are practically identical. It is interesting to observe that in the *Mackintosh* case the articles of partnership were referred to as 'an amateur's document', meaning, presumably, that they were not drawn by a professional draftsman.

Goodwill Fixed by Reference to Profit

The partnership articles sometimes provide that the value of the goodwill at any particular date is to be, say, two years' purchase of the average profit for the three preceding accounting years, and that a retiring or deceased partner's share is to be paid out in, say, ten annual instalments. Expressed in this way, the instalments represent capital payments for tax purposes, and the articles frequently clinch the matter by providing for interest on them. If the recipient's rate of tax is higher than the payer's this is, of course, a useful arrangement but, as stated above, in practice it usually is otherwise. Although the Courts have frequently said that it is the substance of the transaction which has to be considered, nevertheless, in the writer's opinion, the tax consequences can probably be changed in such a case by an alteration of form. A ten-year annuity of an amount equal to one-fifth of the retiring partner's share in the average profits for the three years preceding his retirement is equivalent to two years' purchase of that share paid in ten annual instalments. If the annuity is expressed to be in consideration of the right to use partnership goodwill etc. and to be subject to deduction of tax, it would probably qualify as an annual payment, increasing the recipient's tax liability but reducing that of the continuing partners (*C.I.R. v. Hogarth (Barclay)* ([1941] 23 T.C. 491; 19 A.T.C. 361)). The amount of the annuity could be adjusted as desired to take this income-tax liability into account.

Annual Payment or Business Expense

Periodical payments of the kind described above, even when constituting income in the hands of the recipient, are not annual payments or an annuity for the purpose of Rules 19 and 21 unless they fall within Rule 1 (*a*) of Case III of Schedule D (*Asher v. London Film Productions Ltd* ([1944] K.B. 133; 22 A.T.C. 432)). It seems fairly clear that payments for the use of such an intangible thing as goodwill do so fall within Case III. Payments for the hire of chattels, however, fall within Case VI (*In re Hanbury* ([1939] 20 A.T.C. 333)). Such payments would have to be made in full and would be deductible in arriving at profit. Where the payer is an individual having unearned income, the practical consequence would be a probable reduction in his earned income allowance. Where the payer is a partnership having partnership unearned income, a similar consequence would follow. However, where the business has been turned over to a director-controlled company which is liable to profits tax, and the recipient is a director, the practical difference between Case III and Case VI is considerable. Payments for chattel hire to a director are deductible in arriving at profits tax profit. Annual payments to a director who is not a 'whole-time service' director are not deductible. Moreover, if the director is a member of the company, the disallowed annual payment is treated as a distribution. These facts naturally require to be borne in mind when drafting provisions relating to outgoing partners or to the sale of a business.

ESTATE DUTY

The estate duty problems which arise in relation to goodwill are not susceptible of precise classification. Nor can they all be answered with confidence. A selection of the commoner ones is given below.

Death of Partner before Retirement

Subject to any special agreement in the articles, the executors of a deceased partner are entitled, and often bound, to insist on a winding-up of the business. They may be able to sell out to the surviving partners but even this frequently causes hardship to the latter. Moreover, the share of a partner 'passes' on his death and may bring liability to estate duty (either under Section 1 or under Section 2 (1) (*b*) of the Finance Act, 1894) which involves the immediate raising of a large sum of money. The partnership articles may, however, provide that on a partner's death his share is to pass automatically to the survivors. In that case they would have to bear any duty on it but they may be able to claim exemption on the grounds that the share passed to them by virtue of a sale within the meaning of Section 3 (1) of the Finance Act, 1894. Whether the exemption will apply depends on the substantial effect of the agreement, in particular the obligations undertaken by the surviving partners (See *Attorney-General v. Boden* ([1912] 1 K.B. 539; *Attorney-General v. Ralli* ([1936] 15 A.T.C. 523), and *Re Clark* ([1906] 40 Ir. L.T. 177)).

Section 46 (1) of the Finance Act, 1950, provides that a disposition in favour of a relative is to be treated as a gift unless made for full consideration in money or money's worth paid to the deceased for his own use and benefit. It also provides that for this purpose an annuity or other interest terminating on the death of the deceased or some other person is not such consideration. Thus where a senior partner makes a partnership agreement with a relative who receives substantial benefits under it, it is important that the senior partner's interest under the agreement should not terminate on his death. If it does and he dies within the statutory five years, the exemption under Section 3 (1) which might otherwise be available will be lost. The agreement can, of course, provide for the termination of the senior partner's interest on his retirement, but it is doubtful whether such a provision would avoid duty if in fact he died suddenly without having retired. See, however, *Attorney-General v. Ralli* ([1936] 15 A.T.C. 523). The question of relatives is dealt with in greater detail below.

Suppose the senior partner makes an immediate gift of his share to the junior partner but continues to engage in the business and take a share of profits. Even if he survives the statutory five years, and the junior partner is not a relative, there is a strong probability that the gift will 'pass' on the senior partner's death under Section 2 (i) (*c*), either as a gift subject to the reservation of an interest for the life of the giver, or as a gift of which bona fide possession and enjoyment has not been taken and retained by the donee to the entire exclusion of the giver and of any benefit to him.

Incidence of Duty

It may be that the surviving partners take the deceased partner's share subject to an obligation to pay an annuity to his widow. If they have to

pay duty on the share, of course such payment covers any possible liability in respect of the annuity itself. The question arises as to whether and how far they can recover the duty from the annuitant. This is a matter which has been the subject of conflicting judicial decisions; so that in general it is preferable to provide expressly who is to bear what estate duty. Failing such provisions, if the annuity is 'charged' on the property in question, the surviving partners can recover from the annuitant 'the proper rateable part' of the duty (Finance Act, 1894, Section 14). On the authority of *Re Parker-Jervis* ([1898] 2 Ch. 643) the 'rateable part' is computed as follows. Suppose the share taken over is valued at £5,000, estimated to produce £250 per annum, and charged with the payment of £200 per annum in favour of the deceased's widow. Suppose further that estate duty is paid on it at 10 per cent, i.e. £500, by the surviving partners. The property produces 5 per cent and therefore the 'slice' of it which will produce a £200 annuity is £4,000, or four-fifths of the whole. The estate duty referable to this share is £400. But the widow receives not the slice itself but only the income from it, so she is required merely to give up the interest on that £400. The rate of such interest will be the rate paid by the partners on the money raised to pay the duty, or the prevailing mortgage interest rates if no loan was in fact raised. Thus, if the rate was 4 per cent, the widow suffers a deduction of 4 per cent of £400, or £16, receiving a net annuity of £184 subject to the deduction of tax.

Whether an annuity is 'charged' on the share within the meaning of Section 14 is not always easy to decide. But even if it is not so charged, there seem to be grounds for saying that the partners could nevertheless make a *Parker-Jervis* deduction by virtue of Section 9 (1) of the same Act, which provides as follows:

> '9 (1). A rateable part of the estate duty on an estate, in proportion to the value of any property which does not pass to the executor as such, shall be a first charge on the property in respect of which duty is leviable; provided that the property shall not be so chargeable as against a bona fide purchaser thereof for valuable consideration without notice.'

On the other hand, it may be that the charge to secure estate duty, imposed by Section 9, enures to the benefit of the Inland Revenue only and gives no rights to any person paying the duty. Of course we are not concerned here with questions of incidence, as between different beneficiaries of the deceased's estate, of the duty paid by the executors.

Where the partners do not pay estate duty on the share, the annuitant himself may be chargeable on the value of the annuity, which of course would be less than the value of the slice of property necessary to produce it. This matter is dealt with below under the sub-heading 'Annuity arising on partner's death'.

Cesser of Annuity on Death of Retired Partner

Where a retired partner has disposed of his share to the continuing partners in consideration of an annuity for life, his death may involve them in liability to estate duty. If the annuity is charged in partnership or other property, an annuitant has an interest in that property which ceases on his death and a benefit accrues to the continuing partners within Section 2 (1) (*b*) of the Finance Act, 1894 (*Cassel's Will Trusts* ([1947] Ch. 1)). The benefit on which they have to pay tax is by reference to the 'slice' of the property necessary to produce the (gross) annuity (Section 7 (7), ibid.). The duty is a first charge on the property and has to be paid by the surviving partners. Here again, however, the continuing partners may be able to show that they were entitled to the exemption under Section 3 (1) mentioned under the sub-heading 'Death of partner before retirement', above. If the annuity was not charged on property but was payable under a personal covenant only, Section 2 (1) (*b*) would not apply. However, in that case, Section 2 (1) (*c*) which applies, *inter alia*, to a settlement with a reservation, might apply (*Attorney-General v. Worrall* ([1895] 1 Q.B. 99); *Attorney-General v. St Aubyn* ([1950] 1 All E.R. 951)) provided that there was some element of bounty in the disposition made by the deceased.

Relatives

Where one or more of the continuing partners is a 'relative' of the retiring partner within the meaning of Section 44 (2) of the Finance Act, 1940, a disposition of a partnership share in consideration for an annuity is not to be recommended despite its income-tax advantages. A disposition to a relative is treated as a gift unless it was made for full consideration in money or money's worth paid to the disposer for his own use or benefit, and for this purpose an annuity which is to cease on the death of the disponer, or on the death of any other person, is not consideration (Finance Act, 1940, Section 44, as

amended by Finance Act, 1950, Section 46). 'Relative' is given a very wide definition by Section 44 (2) of the Finance Act, 1940, and includes sisters, uncles, and aunts and their spouses and children, legitimate, illegitimate or adopted. Some allowance is given where the annuity payments actually made have exceeded the income of the property transferred by the deceased. Of course if the full value of the property was taken from the relative in money, which was then invested in the purchase of an annuity from an insurance company, Section 2 (1) (*c*) would not apply. The annuity from the insurance company could be so arranged that income tax was not payable on the 'capital' element.

Single Annuity continuing after Retired Partner's Death

Sometimes a partner will stipulate for an annuity on retirement to himself and then to his widow. Assuming that Section 2 (1) (*b*) would otherwise apply, i.e. assuming that the annuity is to be charged on property of the payers, although exemption under Section 3 (1) referred to above is not available, there is an advantage to the continuing partners in carefully wording the agreement so that only one single annuity is payable but is payable throughout the life of the retired partner and, say, the life of the surviving dependant. On the death of the retired partner, the annuity itself will then pass under Section 1 of the Finance Act, 1894, and Section 2 (1) (*b*) is excluded (*Duke of Norfolk's Will Trusts* ([1949] 29 A.T.C. 7)). Two major consequences follow from this. First, the amount in which estate duty is payable is not the value of the slice of capital necessary to produce the annuity, but the actuarial value of the annuity itself, which of course will be much smaller – unless the dependant is immortal. Secondly, the person liable to pay the duty is the surviving annuitant who, by concession, is allowed to pay in four annual instalments beginning on the first anniversary of the death, the remaining three instalments bearing estate duty interest until paid.

It should be noted that the exemption provided by Section 3 (1) cannot apply to the annuity, for although full consideration may have been given for it, it was not given by the surviving dependant (*Attorney-General v. Dobree* ([1900] 1 Q.B. 442)).

Although this article is not concerned with methods of valuation as such, it is perhaps relevant to mention that in arriving at the actuarial value of an annuity no deduction is allowed by reference to the fact that the annuity must bear income-tax – a fact which surprised Mr Justice Rowlatt in *MacKintosh v. C.I.R.* ([1928] 14 T.C. 15; 7 A.T.C. 209). As to the exemption of certain small annuities, see below.

New Annuity arising on Death, or Two Consecutive Annuities

It may be held that in substance there are two annuities, e.g. where the agreement provides for an annuity of £*x* to A. for life and on his death a similar amount to his dependant. In that case Section 2 (1) (*b*) does apply on A.'s death and the continuing partners have consequently to pay the duty. The extent to which they can recover it by deductions from the second annuity has been dealt with above.

In valuing the 'slice' on which duty is payable, no deduction is allowed for the fact that the property immediately becomes burdened with the second annuity.

Annuity arising on Partner's Death

A partner or former proprietor may stipulate that on his death some benefit should accrue to his widow or other dependant at the expense of the business and the circumstances may be such that no estate duty liability arises under any of the charging provisions already discussed. This brings us to Section 2 (1) (*d*) of the Finance Act, 1894, which charges

> 'Any annuity or other interest purchased or provided by the deceased, either by himself alone or in concert or by arrangement with any other person, to the extent of the beneficial interest accruing or arising by survivorship or otherwise on the death of the deceased.'

Usually the benefit will be in the form of an annuity. The annuity itself is valued and the duty on it is payable by the annuitant, who has a statutory right under Section 16 of the Finance Act, 1896, to pay in the four annual instalments mentioned above. Again, the fact that the annuity will bear income-tax does not affect the valuation of the annuity. The annuitant in this case is obviously worse off in relation to estate duty than the one who merely suffers a *Parker-Jervis* deduction as described above.

Before liability under Section 2 (1) (*d*) can arise however, it must be shown that the annuitant has a right to the annuity which he can legally enforce. If the payer has covenanted under seal to pay the annuity, and the annuitant was a party to the instrument containing the covenant, he can, of course, enforce it. This would be

unusual, however; the annuitant may not be identified at the time the covenant is made, and may be described in it, for instance, as the widow of the partner in question.

Alternatively, although the annuitant was not a party to the article or agreement under which the covenant is payable, it may be so worded as to create a trust in her favour which she can enforce (see *Flavell* ((1883) 25 Ch.D. 89); *Attorney-General v. Wendt* ([1895] 65 L.J.Q.B. 54)). In the interesting case of *Miller's Agreement* ([1947] Ch. 15; 2 All E.R. 78) the deceased, Miller, when retiring from a partnership, had taken from his successors a covenant to pay annuities to his daughters as from his death. It was held that the daughters had no enforceable right to the annuities and therefore were under no liability under Section 2 (1) (*d*). They had only the right to retain annuity payments actually made. It would seem to follow that such payments, being in a sense voluntary, would not be deductible in arriving at the total income of the payers. The case has been criticized in the Court of Appeal, in *Smith and Snipes Hall Farm v. River Douglas Catchment Board* ([1949] 2 K.B. 500), but it appears to be still good law.

The death of an annuitant and the consequent cessation of an annuity charged on partnership property gives rise to problems similar to those arising on the death of a retired partner, dealt with above.

Small Annuities

It is worth keeping in mind when fixing the amount of an annuity under the arrangements discussed above, that a special relief from estate duty may be claimed in respect of the following:

(*a*) An annuity not exceeding £52 per annum;

(*b*) Annuities provided before the annuity mentioned at (*a*), which exceed £52 but are less than £104 per annum each.

The statutory provision is Section 15 (1) of the Finance Act, 1894, as amended by Section 33 of the Finance Act, 1935, and it is confined to annuities purchased or provided by the deceased in his lifetime (i.e. not by will) which arise on his death in favour of some person, or which are payable for the life of the deceased and some other person.

Annuities exceeding £52 but less than £104

It is convenient to deal with annuities under (*b*) first, because the deceased must provide them before he provides any annuity under (*a*), otherwise they do not qualify for the relief. The relief consists in valuing the annuities on a special basis. Each annuity is treated, for estate duty purposes, as an annuity of twice the amount by which it exceeds £52. The significance of the maximum of £104 now becomes obvious because only an annuity which falls short of £104 can benefit from this formula. Thus an annuity of £53 is valued as though it were an annuity of £2, while an annuity of £103 is valued as though it were for £102. It was probably intended that only one annuity should qualify for the relief but the sections are so worded as to grant the relief for any number of single annuities between £52 and £104. However, once the deceased has provided an annuity which does not exceed £52, his estate will not qualify for relief in respect of any annuity for less than £104 provided thereafter.

Annuity not exceeding £52

Full exemption from estate duty is granted in respect of an annuity which is of the description given above but does not exceed £52. If the deceased provides two or more such annuities, only the first qualifies for the relief.

It is clear then that a series of annuities of £53 each offer the greatest advantage. However, anyone providing these annuities must run the risk that the relief in question may be withdrawn before his death occurs.

Aggregation

The rate of estate duty rises rapidly with the amount on which it is levied, which amount is not confined to the property the deceased person 'leaves' in the ordinary sense, but includes all the property which either passes or is deemed to pass on his death, even though he and his heirs may have no interest in it at all. Thus where, under the partnership articles, the deceased partner's share of goodwill passes automatically to the other partners and either Section 46 (1) of the Finance Act, 1950, applies (see under the sub-heading 'Death of partner before retirement' above) or they are unsuccessful in claiming that the share passes as the result of a bona fide sale, they must pay estate duty at a rate depending on the value of all the property passing on a deceased partner's death. The rate may be as high as 80 per cent – ten times the original maximum in 1894.

Any property which is itself exempt from estate duty, such as an annuity not exceeding £52 as described above, is excluded from aggregation. It thus confers a double benefit.

Property in which Deceased never had an Interest

In addition, there are several cases in which, although property is liable to estate duty, the principle of aggregation is not applied to it. Such property is treated as an estate by itself and the rate of duty on it is determined by its value alone. If it does not exceed £2,000 no duty at all is payable. Only one such case is dealt with here, namely, property 'in which the deceased never had an interest' (Finance Act, 1894, Section 4, proviso). The deceased's share in partnership goodwill obviously cannot be such property. But he can make an arrangement in his lifetime under which this share goes to the former partners who pay an annuity to his widow as a *quid pro quo*.

It has been indicated above that such an arrangement may result in the surviving partners paying estate duty on the whole property and deducting interest on some of it from the annuity. On the other hand, the share of partnership property may be exempt, as passing on a sale. In that case the annuity may escape all liability, as a result of *Re Miller's Agreement* ([1947] Ch. 615). Or it may be caught by Section 2 (1) (*d*), in which case the question arises as to whether it is to be aggregated with the deceased partner's other estate, i.e. whether it is property in which he ever had an interest.

Application to Section 2 (1) (*d*)

Whatever may be the application to property which passes under Section 1 of the Finance Act, 1894, it seems at first sight absurd to say that the deceased could ever have had an interest in a piece of property which, being caught by Section 2 (1) (*d*), only came into existence when he died. Indeed, in *Re Hodson's Settlement* ([1938] Ch. 916), Farwell, J., held in effect that the deceased could not ever have had such an interest. The Court of Appeal reversed this decision but only on the ground that the property in that case passed under Section 1, and it expressly kept open the question we are now discussing ([1939] Ch. 343, at pages 371–372). Nevertheless the Revenue do in practice apply aggregation to Section 2 (1) (*d*) annuities whenever they are charged on the partnership assets or profits. They do this on the authority of *Attorney-General v. Wendt* ([1895] 65 L.J.Q.B. 54), a case which was not mentioned in *Re Hodson* and had nothing to do with Section 4 of the Finance Act, 1894. In the *Wendt* case the deceased partner's share passed, under the partnership articles, to the surviving partners subject to an annuity payable to his widow out of gross profits. The question arose whether the deceased had reserved an interest in the *annuity* within the meaning of Section 38 (2) (*c*) of the Customs and Inland Revenue Act, 1881. The Court held that he

> 'reserved his whole interest in the business and the profits thereof including this annuity, over which, as over the other profits arising from his interest in the business, he had during his lifetime entire control' (at page 57).

This reasoning seems to proceed on the basis that the annuity was charged on profits earned in the deceased's lifetime, whereas it was charged on profits made after his death. If this decision is right, it is of course difficult to resist its application to the proviso to Section 4 of the Finance Act, 1894. It follows, therefore, that where liability under Section 2 (1) (*d*) is apprehended, it is advisable from an estate duty point of view not to charge the proposed annuity in any way on the partnership property. Even this may not succeed in avoiding aggregation if there is a change of Revenue practice, for on logical grounds it seems to be immaterial whether the annuity is secured by a charge on the partnership property, or on other property of the surviving partners, or by personal covenant only. The Revenue seem to be fond of the simile of trees and fruit, arguing that an interest in the tree must include an interest in its fruit. On this argument, if the annuity comes from the surviving partners to the widow, by reason of her husband's former interest in the partnership property, it would seem to be fruit of the tree in which he once had a share.

Conclusion

It is obvious that no universal formula can be laid down for dealing with income-tax and estate duty problems in partnership articles or dissolution agreements. So much depends on the age and means of each of the respective parties, to say nothing of the peculiar circumstances of the business. The important thing is to conclude no agreement of this kind without fully considering all the possible repercussions on the income-tax and estate duty liabilities of the parties and their heirs. As regards estate duty, it is not only liability *vis-à-vis* the Crown which has to be remembered, but the possibilities of that liability being shifted on to one's own or someone else's shoulders.

AUSTRALASIAN COMMENTARY - I

by S. R. BROWN, LL.B., F.C.A.(Aust.)

The writer of this series of articles is the senior partner in a firm of chartered accountants in Sydney, Australia. He is the author of several text-books on accounting and company law.

Accounting Activity in Australia

THE character of accounting activity in Australia at the present time is conditioned by a buoyant economy and acute staff shortages. It is almost as if the impetus given by the former is checked by the latter. This state of affairs is throwing into stark relief the difficulties associated with several parts of professional work; notably those in connexion with income-tax and valuation of stock.

Apart from a gathering momentum, matters have become complicated by the fact that our income-tax legislators are remorseless in their production of complex tax laws. Accountants have been partly blamed for this on the ground that, due to their influence, taxing Acts tend to include matters of fact rather than principles of law. This would not, however, appear to be a valid criticism as the complexity of the legislation seems to have resulted from a desire on the part of the authorities to close up loopholes as fast as they appear. As a step in the direction of achieving simplicity, a Commonwealth Taxation Committee has been set up and is considering the possibility of reform.

Stock Valuation

On the question of stock valuation, the Victorian Research Society of The Institute of Chartered Accountants in Australia recently issued a thirteen-point programme of principles to which an auditor may have regard in his approach. This set of recommendations, which was published with the approval of the Research Co-ordination Committee of the Institute, states that

> 'it is not a part of an auditor's duty personally to weigh, count, measure, or otherwise physically take the stock, or to check a sample of the stock in this way'.

Although the set of recommendations should be read as a whole there does not appear to be any other statement cutting down the force of that particular recommendation.

Taxation and Accounting

At the Adelaide University last April, Mr J. M. Greenwood, LL.B., F.C.A.(Aust.), F.I.C.A., delivered a research lecture styled 'The integration of taxation and accountancy principles in Commonwealth taxation'. Whilst admitting that there was some substance in a number of charges levelled at accountants, e.g. that they have not built up a theory of profit, that they have no complete philosophical system of thought about income, and that they are influenced too easily in their accounting by considerations of policy and the requirements of the taxation department, Mr Greenwood yet made a plea for greater recognition in taxation legislation of accounting principles or standards. He does allow, however, that much work has to be done in formulating principles and standards in accounting.

Mr Greenwood spotlighted the similarity of approach of taxation and accounting methods of –

(*a*) ascertaining assessable income and allowable deductions to arrive at taxable income; and

(*b*) matching costs against revenue to arrive at net profit

respectively. His submission is that accountancy and income-tax both look to economics to define and delineate the concept of income. It is not clear, but it would seem that Mr Greenwood means that accounting and income-tax ought now to look to economics, not that they have done so. The price spiral, rising in most countries in the world, is bringing about a concentration of attention on the purchasing power of money in lieu of the hitherto tacit acceptance of the abstract symbolism of £ *s. d.*

A Suggestion

In a paper which sets out as a jurisprudential study of the income-tax laws of Australia, Mr Greenwood reviews the principles of Commonwealth income-tax, the rationale of tax, the development of accountancy, and makes suggestions for the integration of income-tax with accountancy principles. In Australia we have a multiplicity of institutes and examining authorities so that it is not surprising to find him recommending, as others have done, the setting up of a representative panel or body of accountants which might issue authoritative pronouncements in matters of accountancy. The recommendations of

The Institute of Chartered Accountants in Australia have been a step in the right direction but, of course, they are only a step. There is an increasing number of accountants in Australia who are expressing the view of Mr Greenwood that all accountants should co-operate in active research campaigns.

'Sound and Prudent Commercial Practice'

Earlier this year the Commonwealth Institute of Accountants had submitted their views on the taxation of business profits to the Commonwealth Committee of Taxation. Part of the submission was the statement that the Institute considered that, basically, the taxable income of a business undertaking should be an accounting rather than a legal concept and that, subject to the provision of such reasonable statutory safeguards as might be considered necessary in order to protect the revenue, the entire profits of a business, ascertained in accordance with the principles of sound and prudent commercial practice, should constitute its taxable income. The expression 'sound and prudent commercial practice' was the one used by the Lord President in the *Roebank Printing* case (*The Australian Accountant*, February).

Multiple Financial Statements

At a congress in Tasmania of the Australian Chartered Accountants' Research Society, Mr A. R. Hewer, F.C.A.(Aust.), presented a paper on financial statements wherein he referred to five different classes of persons interested in the financial statements of companies. These were: (1) proprietors; (2) management; (3) creditors, investors, employees (or unions), competitors of the company and others of the general public; (4) government departments such as taxation and price control; and (5) statisticians and economists.

The tenor of the paper was that since each of these classes uses the statements for different purposes, multiple statements should be prepared to cater for the differing needs. (*The Chartered Accountant in Australia*, February.)

There is nothing novel about this suggestion – and it may be a valid line of approach by way of overcoming criticism to the all-purpose balance sheet etc. – but before implementing such an idea, it would be necessary for accountants to know precisely what it is that these different classes of persons require from financial statements. It is not sufficient for us to say what we think these people want.

Comprehensive legislation such as that laid down by the Companies Act, 1948 (England), is a jolting reminder that the corporation is a social unit. In accounting for such a unit, sectionalized interests of society cannot be ignored altogether. One avenue of accounting research ought to lead, *via* the questionnaire etc., to finding out what they want and, of course, considering in the light of that, what they may fairly have. Mr F. Sewell Bray, F.C.A., F.S.A.A., is telling us what the economist wants and we are familiar with the requirements of the taxing authorities, but we have much work to do in understanding the point of view of shareholders, employees and the like. There are difficulties, of course. Recently, one director in reply to a request by Mr R. K. Yorston of Sydney for permission to circularize employees of the company re the annual statements, said: 'Go ahead by all means, but I can virtually tell you the answer now – of our 1,000-odd employees we even find difficulty in getting fifty to accept the brochure containing our annual statement.'

Break-even Analysis

In a review of the developments in the techniques of the profit graph and the break-even chart, Mr A. Forster, A.I.C.A., points out that while break-even analysis has definite contributions to make, it is to be remembered that a sound structure of managerial controls cannot include many components in addition to break-even analysis. All the same, the importance of the technique is made very apparent.

Mr Forster refers particularly to the research work being done by Professor Joel Dean, of America, and agrees with him that it is necessary to modify and manipulate the static break-even charts – 'modify' in the sense of changing basic concepts, valuations and forms of cost and revenue; and 'manipulate' in the sense of changing the underlying assumptions and the levels of cost prices, product prices and product-mix. The technique must be adapted and extended so as to embrace anticipated results under different causes which management may choose to pursue. If break-even analysis is to be made flexible enough to facilitate rapid modification then, apart from other things, the data must be so marshalled as to allow changes in wages, prices and cost components and products, etc., to be reduced rapidly to diagrammatic form. (*The Australian Accountant*, April.)

Valuation of Shares

It is doubtful if any matter is characterized by as

much uncertainty as is that of placing a value on shares of non-public companies. A group of the South Australian branch of The Institute of Chartered Accountants considered, at a local congress, some of the problems involved and ended on the rather dismal note – 'We are forced to admit that we are now back to where we started'. On the question of method the group expressed the opinion that no single method of valuing shares in a private company will produce an acceptable result (it is not clear what this means) and concentrated its attack on the capitalization of profits method. An opinion of positive value was put forward, viz. that

> 'an extremely useful, important and persuasive test to apply, is to estimate the rate of dividend which the company might be expected to pay, in the future, on its issued capital'.

(*The Chartered Accountant in Australia*, March.)

Distribution Costs

Professor G. L. Wood of Melbourne University recently pointed out that distribution as a service industry is being overshadowed by the production industries, yet efficiency in production is very often prevented by faulty distribution. Distribution, he said, is a vital and constructive function in the whole process of production and not merely an added cost.

Lack of attention to the efficiency of distribution has been frustrating to the economists – he cannot get at the facts and especially the costs of distribution. Professor Wood continued with the reminder that it was the cost accountant to whom the economist had to look to supply the information necessary for his analysis and, if the analysis was to be made at all, the cost accountant would have to accept the supply data needed as an important national task.

Investigation Work

Some investigation work has been done in this field at Melbourne University and attention has been confined for the time being to the cost accountancy of distribution for particular industries and commodities. One observation made by the investigators is that the cost of distribution is not always the difference between the net price of the raw materials at the producer's premises (i.e. price contained in a unit of the completed product) and the price paid by the ultimate consumer. Rather, this is called the 'spread'. The spread is not identical with distribution cost except where the produce is consumed in its original form, e.g. fresh fruit and vegetables.

In discussing transport as a cost of distribution, Professor Wood pointed out that we in Australia do not have reliable data of how transport affects uniform delivered prices of industrial commodities on a national scale; but looking to America for guidance he gave some interesting figures. For instance, for cement the cost of transport as a percentage of production price was 16·5 per cent while the cost of transport as a percentage of cost of distribution was 54·6 per cent. (*The Australian Accountant*, January.)

TODAY'S PROBLEMS
AS AFFECTING STUDENTS

by Sir HAROLD HOWITT, G.B.E., D.S.O., M.C., D.L., J.P., F.C.A.

YOUR enthusiastic Secretary seems determined that at your annual meeting, the President shall deliver an address. He rang me up a week or two ago and asked me for a title and apparently I suggested 'Today's problems as affecting students'. I suppose I felt this was general enough in nature to enable me to think of something to say.

I want at once to remind you that you are members of a Society some 3,600 strong, of whom about 2,800 are students. In so far, therefore, as your Vice-Presidents and I stand *in loco parentis* to you as students, I want to assure you that we are very conscious of the honour you pay us, and we are all anxious to help you as much as we can.

I do not want you to regard my address as a pep-talk or a pie-jaw, even if that is what it may amount to. To avoid this, may I start with a story of a small boy who was very interested in butterflies and moths; he was an entomologist. His parents were in despair as to what to get him for his birthday, and they turned him loose in a bookshop. He returned home delighted with what he had bought, and his parents were correspondingly confused. He thought he had bought a book on 'Advice to young moth-ers', but he hadn't!

I know very well – and it is no good shirking the fact – that what all of you are primarily interested in are 'these wretched examinations', and therefore I want to say a word about them; having done so I want then, whilst realizing they are the 'moths' you are chiefly after, to ask you to raise your

An address delivered from the chair at the annual meeting of the Chartered Accountant Students' Society of London, on April 26th, 1951, reported in *The Accountant* dated May 5th, 1951.

foresights a little and look at some more distant objectives.

To start with a word about examinations. May I say, by way of disclosing my interest, that I am a member of the examination committee. I have been a member for many years. I was at one time that Public Enemy No. 1, the chairman of the examination committee. I am not looking at anyone in particular but the present 'enemy' is within your gates tonight; I am still a moderator of one of the papers, and I sit in regularly with the conference of the examiners and moderators when the forthcoming papers are considered in really great detail, almost comma by comma. I mention all this merely as a background in order to ask you to accept from me, if you will, one or two points.

No Catches in Examinations

The first point I want to make is to assure you that there are no catches in your examinations – at any rate no catches that we can possibly avoid. We are most careful to see that there should be nothing at all of that nature.

I then want to tell you that there is nothing in the marking of the papers and in the final agreement of the pass lists which is in the nature of a restriction to try to keep the membership of the Institute down to a certain figure; exactly the contrary is the case. We want this Institute to grow, and there is no limit to the growth we would like to see. The only restriction we have to impose is to see that a certain standard is maintained. Beyond that there is no idea or thought of limiting membership.

I want also to emphasize to you – and this, of course, involves a matter of opinion – that we try our best to ensure that you all shall have plenty of time to answer your questions. I am not going to say that none of you find difficulty in fitting the time in. I realize that you are up against pretty hard work, but I still say that this is one of the chief points we try to have in mind and that the reasonably average intelligent and well-trained student should be able to do his examination within the time set for each paper.

Failing to Pass Examinations

I know that there are several students who have tried more than once to pass the examinations and have failed. I am very sorry for them. It must be a soul-destroying business to sit time and time again and to have to continue study as they do. But I do suggest – I do not want to be unkind – that if you have failed more than a certain number of times it is probably advisable in your own interest that you should carefully consider whether you ought not to take some other job in life.

I should like to remind you that in the percentages of passes and failures those who have failed several times are included, and the effect of that must be to push up the apparent failure percentage. But of those who take their Final after having first passed their Intermediate, some 60 per cent – I think it is more – get through the first time. Therefore do not be depressed or take too seriously the percentage figures which you see.

The other thing I want to mention to you – it is well you should know it – is that your interests as students are most carefully looked after by the Council as far as we can do it. As an individual subject – I do not think I am exaggerating – the question of the position and welfare of our students is the one that takes probably the most time in the various deliberations of the Council.

Principals and Articled Clerks

May I say a word about the articles themselves? I should like to suggest straight away that in your articled life you should make a point of fending for yourselves, taking every opportunity of moving about your office and making yourselves useful. Don't expect to be spoon-fed. As far as your principals are concerned, think about them as principals and not as tutors. Let us be quite frank. When a man has been through his examinations for a certain length of time, he probably is not capable of tutoring his articled clerks in all the modern subjects that arise today. When you yourselves get through, in a limited number of years you will probably, except in some special cases, not be capable of taking in hand your own articled clerks and tutoring them.

The primary responsibility of a principal is to look after you, to take an interest in you, and to see that he provides in his office good facilities for you to get a background of practical work in conjunction with your theoretical work so that you may be helped through your examinations.

May I even on that tell you a story, which happens to be a true one? During the war I was visiting an aerodrome with Lord Trenchard, and he told me he was very bad at remembering names and faces. Once he went to some station where a guard of honour was drawn up for him. He walked along the front row and at the end he met an officer, shook hands with him, and said, 'Who are you? What's your name?' The young officer said, 'I am your A.D.C., sir'. At the end of the next row he encountered the same officer again, and again asked him what was his name, the officer replying, 'Your A.D.C., sir'. Once again this happened, and at last the officer replied, 'I am still your A.D.C., sir'. I suggest that if you meet your principal and he does not seem to know you, you should take your hat off to him, tell him who you are, and that you are still his articled clerk. Perhaps he will retort, 'You ought not to be, it's time you were getting through your examinations'. But that is up to you.

Advantage of being an Articled Clerk

Unlike people in many professions, you have the pride of feeling that from the word 'Go' in a chartered accountant's office you can be really useful. That does not apply in all other professions. But that is one of the reasons why premiums are being cut out

and salaries paid. Remember this also: you, as articled clerks, have a tremendous advantage. You have the privilege of going into the office of your principal's client, seeing his private books, and knowing all about his affairs. Pause for a moment and think what that means from the point of view of the client who sees a young articled clerk coming in and asking all sorts of questions. It takes a lot of getting used to, but clients, by and large, have got used to it. As a corollary you should have in mind what a tremendous advantage it is to you to have that facility and that it is therefore up to you to maintain the standard of your profession, and to go about your work with courtesy and with complete discretion and secrecy.

Fun in Articles

Finally on the subject of articles, get what fun you can out of them. You are having experiences today that many on this platform have had and can recall with delight – hours spent in trying to trace that missing ten bob, only to find in the end that it is due to a bad figure of your own. There is a tremendous lot of fun and interest in it all.

Now as to your students' society. This society is a part of your training. It is part of the conditions of your articles that you join the society. All students now join their society, in London or wherever it may be. And I want you to take a real interest in it and to get out of it all that can be got out. Make friends among those you meet at the society's meetings and in your offices, and you will find, as I have found, that some of the friends you have made whilst students, as well as in your practising days, are among the best friends you make in life.

Don't be an 'Old Soldier'

May I mention one or two 'don'ts'? Those of you who have been in the Services will know what I mean when I say, 'Don't be an old soldier'. I say that with the greatest respect in the world for soldiering and soldiers. You know however the saying that those who got a good conduct medal were those who had had twenty years of undetected crime. 'Old soldiering' means beating the clock, scrounging, cooking a time account, sailing as near the wind as possible, and all that kind of thing. It just isn't worth it. And when you are called for National Service – if you do have to go – don't try to dodge it, take it in your stride, get the best out of it you can – there is a lot of good to be got out of National Service.

The next point. Don't spend your life trying to maintain your rights. There are duties as well as rights in life. Anyone who spends his life maintaining his rights probably does not maintain anything else and dies without achieving much. I was travelling once in America, going to play golf with a friend over there, and I was interested in the difference in the rules of the road as compared with this country – taking the right-hand side, and so on. We stopped at a certain crossing, and it seemed to me he might have gone on. I asked him, 'Was it not your right of way?' He said it was and I asked him why he had not used it. In answer he asked me if I knew the epitaph on the grave of Timothy Gray. I said I did not and he repeated it to me:

'Here lies the body of Timothy Gray,
Who died maintaining his right of way;
His reasons for going ahead were strong,
But he's just as dead as if he'd been wrong.'

Next – don't get disillusioned. We all know very well the troublous times in which we live – taxes and war and all that. It is very difficult to keep one's tail up. But don't get disgruntled. Get what fun you can out of life, and there is plenty of fun in the world; you don't necessarily have to go to Battersea Park for it.

Don't Lose Enthusiasm

The last don't, somewhat on the same lines – don't lose your enthusiasm. It is tragic when one looks around – not among you, I hope – and sees young people who have come from school or university and have gone into business, being full of 'pep' and a desire to make good, and then letting things get on top of them, losing their enthusiasm, being 'browned off', adopting a 'couldn't care less' attitude – there is no worse motto than that.

Those are the only 'don'ts' I wanted to mention to you. Let me finish on a more general kind of note. I am not going to talk politics to you. I have no right to do so in any case and I expect that among you in an audience of this sort there are all kinds of people who have got all kinds of political views, and you are all entitled to your own. But it is clear that the world today and this country is in a mess, and therefore any address to young people designed to help them in their future which does not refer to that kind of thing must be, I think, unreal.

Reasons for the Country's Troubles

I suppose there are three main reasons for the present trouble in this country. They are these: (1) the wars and rumours of wars, and all the attendant destruction of capital employed in the normal channels of trade; (2) loss of income from overseas investments, which perhaps has made more difference to our national economy as compared with the pre-war position than we at first realized; (3) the fact that, taking the country as a whole, we are not working as efficiently as is required for the standard of living we expect.

I will not discuss the economics underlying these three causes; that would take me beyond the permissible scope of this address, but perhaps I may underline the necessity for hard and efficient work. In doing so I am not suggesting that the articled clerk does not work hard. I realize that he has to work as hard as can be expected of anyone, and in many cases a good deal harder. In order that you may not think I am 'stuffy' on this subject, may I tell you yet another story. I was deputizing for the President of the Institute at one of the district societies this month, and as I had to respond to a toast on his behalf I

ɔld him the least he could do was to give me a story ʼhich I could use in my speech. He said, 'Tell them ɪis story about hard work. There was a young fellow, ɪther a weak kind of person, who went before a ːibunal to try for a job. The job involved a good deal f hard labour. "Are you capable of doing hard ɪbour?" they asked him, to which he replied, "Well, ɔme of the best judges in the country have thought ɔ".'

Rights and Duties

n order that you may not think I am talking politics ɛt me read to you an extract from something which ou probably saw for yourselves in the Sunday apers last week. It is from an address by the Archishop of York, and it puts in a much better way than can aspire to the kind of thing I wanted to say to ou. He spoke as follows:

> 'I think we should be proud that our country has been a pioneer in the establishment of the welfare state, but it carries with it the danger that its citizens may expect everything to be done for them without their doing anything in return, except, of course, paying their insurance. The citizen may become a passive recipient, always demanding more, and himself exercising less initiative and responsibility. The "they" mentality is developed instead of the "we" . . . "They must do it" instead of "We must do it". The demand for "rights" is received with cheers, and the reminder of "duties" with glum silence. Rights and duties must go together.'

Times have Changed

'here is no doubt that times have changed, and ersonally I think they have changed for keeps, at ny rate for my lifetime. The present mentality is a hallenge to all that our profession stands for and to he principles on which your training is based. The ld ways by which we used to be kept on the rails, amely fluctuating free rates of exchange, competition nd the risk of unemployment, have been discarded nd their place is taken by all kinds of controls. 'axation has reached a level which is a challenge to he old incentives of doing well in one's lifetime, and aving for one's old age. Even the budget has got way from simple considerations of how much money ; to be raised for meeting necessary expenditure and ɪas become an economist's paradise concerned ɪrimarily with problems of inflation and of the mount of spending power which chases the goods vailable for consumption.

In your professional life you are privileged to see he workings of these conditions, the effect on men's ɪentality both for good and for ill, the extent to ʼhich they spend time in thinking of their taxation ffairs instead of getting on with their job in life, the ost of all these controls, the effect on efficiency.

One could multiply these points *ad infinitum* and merely mention them to you to ask you to be thinkng about them. I do not want to tell you that the ɪresent system is better or worse than the one it is upplanting, but I do suggest to you that we have not yet solved the problem of how to maintain efficiency and incentive in a welfare state, and I do suggest to you further that it is one of the duties of the qualified accountant to try to produce the answer, and to eradicate inefficiencies in whatever form of state we live. It is the negation of all that we stand for to assume that there is no relationship between production and consumption, between earnings and spendings, between effort and reward, and that there is no need to take stock of our position from time to time, in order to see whether we can afford what we are doing. These, after all, are the functions of the profit and loss account and the balance sheet, on the principles of which you are being trained.

Set an Example

I therefore ask you whether you remain in professional offices or go off into commerce, whether you specialize on costings or management, whether you go overseas or whatever else you do, to try at any rate to set an example by your own attitude to these problems and try also to think out the solution of them. Do not get led away by thoughts of getting rich quick and remember that in the long run honesty pays; remember also that apart from the technical subjects with which you are now struggling the reputation of the profession which you are hoping to join is founded primarily on a sense of fairness, on impartiality, on firmness and on integrity.

I would suggest to you also that in such spare time, if any, as you have, you should try to take an interest in some social activity not directed to self-gain. Taken at its lowest, such an interest will do you good, but on a higher level it is a corrective against the risk of state control which tends to do away with the personal touch and the sense of responsibility as between individual citizens.

I would like before closing to refer to my predecessor as President, Mr William Cash. He died within a day or two of the message of greetings you authorized me to send him from your annual dinner. I know what pleasure that message gave him in his last hours. I went to his memorial service, the keynote of which was that he was a great man unspoiled by success. That is not a bad epitaph for any of us. Without being morbid, I suggest to you that it is not a bad thing throughout life to think what will be said of us when we have gone.

The Future

As a final word I would ask you in your studies to remember that accounts and accountancy are not ends in themselves. They are a means to an end and I hope you will be able to feel that you are embarking upon a profession which will not only represent a lucrative job in life, but which is also providing something of which this old country is very much in need today. Faith in the future and in the part you hope to play in it is the only guarantee against the periods of depression to which we are all sometimes subject.

WEEKLY NOTES

The Association's Conference

The annual conference of the Association of Certified and Corporate Accountants, details of which were given in an earlier issue,[1] commences at Buxton this evening with the President's reception at *The Palace Hotel*, although the formal opening of the conference by the Mayor of Buxton will not take place until Monday morning. This will be followed by the presidential address of the Rt Hon Lord Latham of Hendon, J.P., F.A.C.C.A., F.C.I.S., whose election to the presidency of the Association was recently mentioned in our columns.[2]

The interesting programme that has been arranged, includes three papers on subjects which are in the forefront of those concerning the profession at the present time. They are: 'The accountant's liability for negligence', to be presented by Mr F. B. Reynolds, F.C.I.B.; 'The accountant, the client and the Revenue', by Mr Cecil A. Newport, F.A.C.C.A., F.T.I.I.; 'The valuation of commercial assets', by Mr Leo Kennett, LL.D., B.COM., A.A.C.C.A. We hope to survey the papers in our next issue.

[1] *The Accountant* dated June 9th, at page 579.
[2] *The Accountant* dated June 9th, at page 566.

Royal Commission on Taxation

The Royal Commission on the Taxation of Profits and Income held its first series of public sittings at 11 Carlton House Terrace, London, SW1, on Thursday afternoon and yesterday morning and afternoon. Representations were heard on the second of the Commission's previously announced heads of evidence,[1] namely, as to whether it would be advantageous to link income-tax with social security payments and contributions.

In our next issue we hope to report and comment upon the evidence which was presented at these hearings.

[1] See *The Accountant* dated January 27th, 1951, at page 90.

Goodwill and Taxation

Two problems which face most practising accountants at some stage of their careers are, how to acquire professional goodwill and how best to turn it to account on retirement. The present heavy burden of taxation has added enormously to these problems. The young practitioner often has to pay for goodwill in instalments out of a heavily taxed net income, and may also have to bear some of the estate duty arising on the death of his predecessor, while the man approaching retirement may be faced with the prospect that much of his laboriously acquired capital will go to the Exchequer instead of to his dependants. A scheme designed to avoid the Scylla of income-tax may drag its author into the Charybdis of estate duty, for these two complex and entirely uncoordinated taxes interact on each other in ways almost unpredictable. We publish in this issue a special article which examines in detail the repercussions on income-tax and estate-duty liability of agreements for the acquisition and disposal of goodwill. We believe that this article covers much new ground and will be of special interest to our readers.

The Profession in Australasia

Elsewhere in this issue we publish the first of a series of articles entitled 'Australasian Commentary', by Mr S. R. Brown, LL.B., F.C.A.(AUST.), senior partner in a firm of chartered accountants in Sydney, Australia, and the author of several textbooks on accountancy and company law. In his articles Mr Brown will discuss matters of interest to the profession in Australia and New Zealand, mentioning articles in Australasian professional journals which he thinks will be of interest to our readers.

The Millard Tucker Proposals

In the first leading article of this issue we continue our report of the Committee Stage of the Finance Bill, which we hope to conclude in next week's issue. One matter, however, arose during the debate last Monday which, we think, calls for separate treatment here.

Several of the new clauses were directed to matters which had been the subject of recommendations by the Millard Tucker Committee, and the Chancellor of the Exchequer said that though the Government was in sympathy with some of them he could not agree to their incorporation in this year's Bill. It will be recalled that in his Budget speech Mr Gaitskell said that he had only just received a copy of the report and had not had time to study it.

The delay of a further year before even proposals which the Government favoured were implemented, caused some amount of dissatisfaction amongst movers of the amendments concerned, especially in view of Sir Stafford Cripps's indications that rapid action would be taken, but Mr Gaitskell would not undertake to bring in a separate Bill for the purpose. He stated that before anything was done there would need to be full consultation with industry.

The proposals which he said the Government particularly favoured were those (i) to make statutory the present practice of allowing a proportionate part of the rates, heating, etc., of dwellings partly used for professional purposes; (ii) to permit the set-off of business losses against other income of the following year; (iii) to permit the carry-back of losses on cessation; and (iv) to implement certain recommendations of the Committee relating to transactions between inter-related companies.

Resale Price Maintenance

A Government statement on the subject of resale price maintenance was published on Tuesday last in

the form of a White Paper.[1] Setting out its objections to the maintenance of fixed minimum retail prices, the statement gives notice of the Government's intention to introduce legislation designed to make the practice illegal; though when speaking at a Press conference, Sir Hartley Shawcross, President of the Board of Trade, said he did not know when this would be.

A leading article on the report of the Committee on Resale Price Maintenance, under the chairmanship of Mr G. H. Lloyd-Jacob, K.C. (now Mr Justice Lloyd-Jacob), appeared in our issue of July 9th, 1949. We hope to publish a further article discussing the Government's statement in our next issue.

[1] Cmd. 8274. H.M.S.O., 6*d*.

Festival Gardens Finances

A summary of the interim report dated April 16th, 1951, by Mr H. N. Butler, F.C.A., of Messrs Moores, Carson & Watson, Chartered Accountants, on the circumstances of the greatly increased cost of the Festival Gardens and a first report by Messrs Peat, Marwick, Mitchell & Co on the contractors' operations on the site, were published last Tuesday as a White Paper.[1] Mr Butler gives eight reasons why actual costs are so greatly in excess of the original estimate. The chief of these are the failure to advance planning sufficiently during the winter of 1949–50, and to get the foundation work done in the summer of 1950; the absence from the board of Festival Gardens Ltd of a managing director, and such experts as a building contractor and an accountant; the general failure by the board to delegate specific duties; the alleged change in the basis of the contract which have made it necessary to provide for all excess expenditure being chargeable to the company; the bad winter of 1950–51, and the shortage of certain materials; and, finally, the exceptionally low labour output due to adverse working conditions and labour troubles. Mr Butler recommends that further consideration should be given to the status of the contract; that a small management committee should be formed with specific duties for each of its members; and that the books of the various contractors should be examined by an independent firm of accountants in view of the widespread allegations of fraud and inefficiency.

Messrs Peat, Marwick, Mitchell & Co's report, dated June 1st, 1951, states that no valid comparison can be drawn between the original tender price of £524,370 and the probable estimated total cost of £1½ million because the expense of the work since its inception has been greatly increased. The responsibility for this increase must rest with the Festival Gardens company. The proportion of increased costs due to uneconomic working was caused partly by the fact that no extension of time for the completion of the contract could be granted and partly to a lack of success in obtaining sponsors for certain buildings not included in the original estimates, both factors beyond the contractors' control. There is no evidence to suggest that the managements of any of the contracting firms or of the professional firms engaged have been party to any irregularities which may have taken place at a lower level. The report concludes by stating that the main cause of the inflation of costs was the initial delay for which the company must accept responsibility even if it was unavoidable.

[1] Documents relating to Festival Gardens Limited (Cmd. 8277). H.M.S.O. 1*s* 3*d* net.

Price Fixing and Depreciation

The decision of the Ministry of Works to submit the dispute about fixed prices for plaster board to the Palmer Committee raises an important issue of principle. The factual basis of the dispute may be summarized briefly as follows. The Ministry, in the course of fixing prices for building materials, has arrived at two prices for plaster board – a lower one for members of the Plaster Board Group which are large-scale producers with lower costs than the others, and a higher one for other producers who are smaller-scale manufacturers. The Group argues that it is not prepared to accept this discrimination.

Once upon a time the answer to all this would have been that customers would go to the firms charging the lower prices and that this would gradually remove the price differential. But the issue is complicated by the fact that the Ministry wishes to keep the higher cost plant available. In consequence there has now arisen a new meaning to the old economic idea of 'non-competing groups'.

In the end, however, the argument is not likely to be about free competition but about the basis of the price fixed for the more efficient firms. The price-fixing authority follows the same practice as the Inland Revenue in assessing depreciation charges on historic cost when it proceeds to work out a reasonable level of remuneration or profit. Whatever the arguments about the relative merits of historical as opposed to replacement costs so far as accounting principles are concerned, the historical basis is not likely to commend itself in this instance to the firms concerned.

Exports in May

By the end of May, the excess of imports over exports for the first five months of this year was already higher than that for the whole of 1950. This fact comes out with the external trade figures which have now been released in provisional form for May.

Exports last month were £229·7 million, that is only just below the high figure reached in April. But imports were also up. The continued high level of imports means that for the first five months of 1951 they were running at an annual rate 38 per cent higher than for 1950.

Exports to North America faltered, reaching only £25·2 million compared with 28·1 million for April. This decline was entirely due to the drop in exports to the United States which fell on the month by £3·1 million.

FINANCE AND COMMERCE

Talking point in the City just now is a decision on the part of the big clearing banks to raise interest rates on overdrafts and loans made to customers. It seems that this step has been under discussion for some little time and has been very carefully followed by Stock Exchange jobbers, particularly in the market for British Government stocks.

The banks, like other purely commercial undertakings, have found overhead charges constantly rising. For instance, salaries have been increased on several occasions to meet the cost of living. There is some basis for higher money rates on the part of the banks, but it is really regrettable to find industry further penalized in the financing of trade. A large number of industrial companies are today forced to the banks for advances to finance the carrying of large stocks of raw materials at inflated price levels.

'Seriously Wrong'

We reprint this week the accounts of The London Aluminium Co Ltd, which are based on the findings of an investigation into the company's affairs recently concluded by Messrs Peat, Marwick, Mitchell & Co, chartered accountants. The main facts are set out in the directors' report which leads off with the statement that 'the accountants report that the 1949 accounts were seriously wrong'. They say that from an examination of the main items, the stock and work in progress at December 31st, 1949, were overvalued to the extent of approximately £150,000, mainly owing to accountancy errors and unreliable costing records, and that no provision was made for further losses, which they assess at £60,000, on contracts uncompleted at that date. They also state that further inquiries were being made into the remainder of the stock and work in progress. Adjusting for the errors disclosed and in the light of the further inquiries, the 1949 position becomes a loss of £114,413 before taxation and the 1950 figure, £26,292.

The accountants state that their inquiries indicate that about £25,000 of the 1949 loss can be attributed to 1948 trading owing to an over-valuation of stock and work in progress at end 1948. They advise that the Inland Revenue should be asked to reopen the assessments on both the 1948 and the 1949 accounts.

Taxation Position

As a result of the losses disclosed by the 1950 accounts, the 1950–51 Schedule D assessment will be reduced to nil. The provision made in the 1949 accounts in respect of this assessment, less a small adjustment for an under-provision for previous years, has accordingly been credited to profit and loss account in 1950. No credit has, however, been taken in the 1950 accounts for any further relief which must be obtained from a reopening of the assessments based on the 1948 and 1949 accounts.

After allowing for the above losses, profits tax as provided in the 1949 accounts, dividends paid in respect of 1949 and 1950, and taking into account the profit and loss balance at January 1st, 1949, the resultant debit balance of £188,995 is seen in the 1950 account.

Construction of approximate departmental accounts has led to the conclusion that the major losses were sustained on brewery and chemical plant contracts which involved erection on site. Estimated losses on five such contracts were approximately £100,000. To these losses, an imprudent dividend policy, extravagant capital expenditure, weak selling, inadequate and inaccurate costing records, erroneous accounting, and the payment of dividends when no profits were available, are summarized as the causes of the company's difficulties. All but £46,369 was distributed in dividends for the four years 1946–49 out of profits totalling £301,720, as shown by the accounts.

Not Deliberate

The report on the investigation goes on to state that no evidence has been seen to indicate that the errors in valuing stock and work in progress were in any sense deliberate. The investigations even included an examination of the chairman's accounts from his stockbrokers, which were checked with the share registers. It was found that almost the entire holding of the chairman and his son was sold before March 1948, when the chairman took office. There was nothing to show that he obtained any pecuniary advantage from the 1948 accounts nor any financial benefit from the dividend policy.

Among the recommendations made are reconstitution of the board, an adequate costing system, constant watch on prices of repetition lines, rigid control of capital expenditure and the 'combing' of overheads. Meanwhile, it is stated, monthly or at least quarterly statements should be prepared so that prompt attention can be given to such contracts as may appear to be developing unfavourably. Regarding repetition lines, the company, it is maintained, could adopt a firmer line in quoting even if it involved the loss of one or two contracts.

No indication is given of the character of the 'accountancy errors', although one may presume that this matter was fully covered in the investigation report. For accountants generally, the disclosures carry a reminder of the constant vigilance that must be observed in audit practice.

Money Market

Treasury bill applications on June 15th totalled £343,995,000 against £355,170,000 previously. Average discount rate was 10*s* 2·88*d* per cent against 10*s* 2·80*d* per cent previously. The amount to be offered next week will again be £250 million. No call will be made against deposit receipts for the week ending June 23rd.

THE LONDON ALUMINIUM COMPANY LIMITED

Balance Sheet as at December 31st, 1950

1949 £	1949 £		Authorized £	Issued £
		Share Capital		
250,000		5½ per cent Cumulative Preference Shares of £1 each	250,000	250,000
160,000		Ordinary Shares of 4s each ..	250,000	160,000
410,000			£500,000	410,000
		Capital Reserve		
38,244		Excess Profits Tax Post-war Refund		47,049
448,244				457,049
(+)31,903		*Deduct* Debit Balance on Profit and Loss Account		188,995
480,147		**Shareholders' Funds** ..		268,054
		Future Taxation		
42,106		Income Tax, Schedule D, 1950–51		—
		Unsecured Loans		
	—	From Joint Managing Directors ..	60,000	
	10,872	Chairman's Current Account ..	12,182	
10,872				72,182
		Current Liabilities and Provisions		
	304,922	Sundry Creditors and Accrued Expenses	171,216	
	166,744	Bank Overdraft (Secured) ..	255,337	
	489	Unclaimed Dividends	110	
	308,269	Current Taxation	133,521	
	—	Provision for Estimated Losses on uncompleted Contracts ..	11,323	
	8,800	Provision for Final Dividend on Ordinary Shares, *less* Income Tax	—	
789,224				571,507
£1,322,349				£911,743

Note – Subject to agreement with H.M. Inspector of Taxes there will be a further relief of approximately £30,000 against Current Taxation in respect of losses and adjustments applicable to 1949 or earlier years

1949 £	1949 £		£	Depreciation and Amounts written off £	£
		Fixed Assets, as valued by Messrs Grimley & Son at December 31st, 1945, plus Additions at cost, *less* Sales:			
46,875		Freehold Land and Buildings	52,014	2,402	49,612
161,484		Leasehold Property ..	142,969	7,738	135,231
191,685		Plant and Machinery ..	272,235	91,536	180,699
13,912		Furniture, Fixtures and Fittings	18,920	6,943	11,977
5,771		Motor Vehicles ..	11,374	7,291	4,083
1		Goodwill	11,149	11,148	1
419,728		**Total Fixed Assets** ..	£508,661	£127,058	381,603
		Investment			
2		Subsidiary Company, at cost ..			2
		Current Assets			
	295,391	Work in Progress as certified by the Managing Directors ..		156,442	
	271,363	Stock and Stores in Hand as certified by the Managing Directors		177,059	
	297,063	Sundry Debtors and Prepayments		196,300	
	558	Cash in Hand		337	
864,375					530,138
38,244		Amount receivable in respect of Excess Profits Tax Post-war Refund (estimated)			—
£1,322,349					£911,743

(Signed) DUNCAN CAMPBELL, J. D. CAMPBELL } *Directors*

STATEMENT IN ACCORDANCE WITH SECTION 150 OF THE COMPANIES ACT, 1948

The trading operations of the Subsidiary Company, Williams (Birmingham) Ltd, are incorporated in the Accounts of the Company.
A Consolidated Balance Sheet is not published, as it would be of no real value to the members in view of the insignificant amounts involved.

Profit and Loss Account for the year ended December 31st, 1950

1949 £	1949 £		£	£
		To Directors' Remuneration:		
	6,190	Salaries	6,465	
	714	Fees	867	
6,904				7,332
1,050		„ Auditors' Remuneration		750
28,223		„ Depreciation of Fixed Assets ..		25,764
—		„ Provision for estimated Losses on uncompleted Contracts		11,323
		„ Provision for Taxation:		
	42,106	*Income Tax, Schedule D*	—	
	25,106	Profits Tax	2,062	
67,212				2,062
45,629		„ *BALANCE, being Net Profit for year carried down*		—
£149,018				£47,231

1949 £	1949 £		£	£
148,817		By **Trading Profit** for the year to December 31st, 1950		14,211
201		„ Rent and Interest received		209
—		„ **Balance, being Loss** for the year to December 31st, 1950, carried down		32,811
£149,018				£47,231

1949 £		£	£
—	To **Loss** for the year to December 31st, 1950		32,811
—	„ Losses and Adjustments applicable to 1949 or earlier years		226,142
1,112	„ *Loss on Sale of Freehold Property* ..		—
7,563	„ Dividend on 5½ per cent Cumulative Preference Shares, *less* Income Tax, paid in respect of the year to December 31st, 1950		7,563
35,200	„ *Dividend of 40 per cent on Ordinary Shares paid in respect of the year to December 31st, 1949*		—
31,903	„ *BALANCE, carried forward*		—
£75,778			£266,516

1949 £		£	£
30,149	By **Balance** brought forward from December 31st, 1949 . ..		31,903
45,629	„ *BALANCE, being Net Profit for year* ..		—
—	„ Surplus on Sale of Goodman Street Property and Plant		4,457
	„ Provision for Income Tax, Schedule D, 1950–51, not now required ..	42,106	
	Deduct under-provision in respect of past years	945	
—			41,161
—	, **Balance,** carried forward		188,995
£75,778			£266,516

The 1949 Profit and Loss Account, issued March 1950, was as follows:

1948 £		£	1948 £		£
850	To Directors' Fees	714	303,045	By **Trading Profit** for year	149,464
4,900	,, Managing and Works' Directors' Remuneration	6,190	1,112	,, Rent, Interest and Dividends received	201
1,050	,, Auditors' Fees	1,050	1,582	,, Profit on Sale of Investments	—
26,914	,, Depreciation of Fixed Assets	28,223			
—	,, Loss on Sale of Freehold Property	1,112			
272,025	,, **Balance** carried down	112,376			
£305,739		£149,665	£305,739		£149,665
			272,025	By **Balance** brought down	112,376
	To Provision for Taxation on the profits of the year to date:		19,542	,, **Balance** brought forward from 1948	30,149
112,090	Income Tax, Schedules A and D	42,754			
53,766	Profits Tax	25,106			
7,562	,, Dividend on 5½ per cent Cumulative Preference Shares, less Tax, to December 31st, 1949	7,562			
26,400	,, Interim Dividend of 30 per cent on Ordinary Shares, less Tax, paid August 24th, 1949	26,400			
61,600	,, Proposed Final Dividend of 10 per cent on Ordinary Shares, less Tax	8,800			
30,149	,, **Balance** carried forward	31,903			
£291,567		£142,525	£291,567		£142,525

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Relief Loss on Furnished Lettings

SIR, – We read with interest the letter sent by 'E. H. S.' on the above subject, published by you on June 9th. We have had one case where furnished lettings loss was allowed to be set off against an excess rent assessment. At the same time, we know of another Inspector who argued in the same way as that mentioned by 'E. H. S.'

Yours faithfully,
M. B. & CO.

Speed in Production of Monthly Accounts: A Suggestion for Accountants or Company Secretaries

SIR, – On page 482 of *The Accountant* of May 19th, 1951, comment is made on the speed with which the Caterpillar figures were produced, and that the letter sent by the president of the Caterpillar Company to the New York Stock Exchange was dated April 17th, reporting on the operations for the month of March.

It is appreciated that, presumably, the accounts will be completed on or about April 14th or 15th, for the president to write on April 17th, but surely this is not so exceptional a date, even in Great Britain with its reputed backward accountancy methods?

As a matter of interest, the company of which I am secretary, with 3,000 employees, produces a monthly trading account, profit and loss account, and balance sheet, which are available for presentation to the board as and from the 15th of the month, and could without any undue pressure, be completed two days earlier. The accounts for April 1950 were one day late, being produced on May 16th due to the Whitsuntide holiday break, but the nominal ledger was posted and balanced, reserve schedules prepared and the detailed stock schedules priced, extended and completed by May 11th.

I think that it would be of interest if the secretaries or accountants of other companies in Great Britain would also advise the Editor of *The Accountant* of the dates by which they produce their monthly accounts. We might then find that we are not so late with these as the general opinion holds.

Yours faithfully,
G. F. BROWN, F.C.W.A., F.C.I.S.

Wolverhampton.

[We shall welcome letters from readers on this subject – EDITOR.]

An 1836 Examination Question

SIR, – Mr Edwards may like to know that the answer to the question in his letter published in your issue dated May 19th, 1951, is that if I*r* stands for the amount of the investments at the end of the *r*th year, where *r* is any year, then I*r* is equal to

$$\frac{1}{2e^2}\left[a_0(1+e)^{r+2}+(a_1-2a_0)(1+e)^{r+1}+(a_{r-2}-2a_{r-1})(1+e)+a_{r-1}\right]$$

where

e	stands for the rate of interest,		
a_0	,,	income in the selected basic, or	first year,
a_1	,,	,,	second year,
a_{r-1}	,,	,,	*r*th year,
and a_{r-2}	,,	,,	(*r*–1)th year.

The solution is appended.[1]

Yours faithfully,
Smarden, Kent. MAURICE A. WOOD.

[1] We regret that space does not allow of our reproducing Mr Wood's solution – Editor.

CURRENT LAW

Reduction of Company Capital

Another Scottish case, not dissimilar, from that dealt with in *The Accountant* for May 5th, 1951 (*Re Westburn Sugar Refineries Ltd*), was decided recently by the First Division of the Court of Session in *Re A. & D. Fraser Ltd* (*Law Journal*, May 18th, 1951). The Court refused to sanction the reduction on the ground that its object was tax avoidance. Lord Keith admitted that while a taxpayer could take any lawful means of limiting his liability to taxation, the Courts could not be called in aid to facilitate this process, as they are not instruments for tax avoidance. He accordingly refused to sanction the resolution for reduction. Lord Carmont agreed. The Lord President, Lord Cooper, however, dissented on the ground that the duty of the Court was confined to seeing that the formal requirements of the Act were complied with and the interests of creditors and shareholders protected. The Court had no jurisdiction to pay attention to taxation questions.

Fraud by Agent

Devlin, J., gave judgment for the defendants in *Armstrong and Another v. Strain and Others* (*Solicitors' Journal*, May 19th, 1951), in which purchasers of a house sued for damages in respect of misrepresentation by the agent of the vendor, based on information fraudulently given him by his principal. The plaintiffs had argued that principal and agent were one in law and that, therefore, fraud was established.

Devlin, J., pointed out that two decisions bearing on the point – *Gordon Hill Trust v. Segall* ([1941] 85 S.J. 191) and *London County Freehold Properties v. Berkeley Property and Investment Co* ([1936] 155 L.T. 190) – were in conflict and he had, therefore, to decide which was more consistent with earlier authority and settled doctrine. He did so in favour of the former case. There were dicta which showed that an action for deceit must be supported by proof of dishonesty, *mala fides* and actual fraud; and that the knowledge of falsity was understood in the narrow sense of conscious knowledge of falsity. Conscious knowledge could never be present in the case of an innocent division of ingredients, as the knowledge of the principal was impliedly that which a man was able to display under direct questioning. If in such circumstances a principal were found liable, fraud would be found in many cases of innocent division where it could not be found against an individual person. The learned judge came to the conclusion that the *Gordon Hill Trust* decision was to be preferred.

Purchase of House

The question whether there had been a sufficient memorandum to satisfy the Law of Property Act, 1925, Section 40 (1) was raised in *Leeman v. Stocks* recently (*Law Journal*, May 18th, 1951). At the auction of a particular property the auctioneer provided himself in advance with a printed form of agreement and entered in it the name of the vendor, the date of completion and other necessary particulars, and affixed a sixpenny stamp over which the purchaser was to, and in fact did, sign. The vendor subsequently tried to avoid the agreement, but the purchaser sued for specific performance. The vendor held that as he had not signed the agreement as required by the Law of Property Act there was no sufficient memorandum of the transaction in writing.

Roxburgh, J., refused to accept this argument. He found that in procuring through his agent, the auctioneer, the purchaser's signature to the document, the vendor recognized the writing of his own name by the auctioneer so as to bind himself. There was thus a sufficient memorandum and the buyer was entitled to specific performance.

Moneylenders Act, 1927

A claim under Section 13 (1) of the Moneylenders Act, 1927, was found by the Court of Appeal to be barred, in *Re Martin's Mortgage Trusts; C. & M. Matthews Ltd v. Marsden Building Society* (*Law Times*, May 18th, 1951). Martin had borrowed on mortgage from the building society. He later borrowed from Matthews Ltd on his promissory note and a second charge on the property, the loan to become repayable in entirety on any default. He died in 1940. In 1949 the building society sold the property and after their mortgage debt was met there was a surplus of £412, which was claimed by Matthews Ltd to the extent of the sum due to them.

The Court held that as under Section 13 proceedings had to be begun within a year of default, their claim was now barred. The claim could only be asserted by way of title under the second mortgage, which was 'security taken . . . in respect of any loan' within the section. Accordingly it failed by being out of time.

Bill of Sale

The Accountant for March 10th, 1951, commented briefly on the Lord Chief Justice's decision in *Polsky v. S. & A. Services Ltd; S. & A. Services v. Polsky*, in which the purchase of a car by Polsky was financed on the ordinary hire-purchase documents, notwithstanding that Polsky had actually applied to the Services for a loan of £400 to enable him to complete. Lord Goddard found that the actual transaction was that of loan and the agreement with Polsky a bill of sale, which was void for want of registration.

On appeal, the Court of Appeal supported the Lord Chief Justice (*Law Times*, May 18th, 1951). It was held that the documents signed by the plaintiff did not show the true nature of the transaction, which was an assurance of personal chattels as security for a debt within the Bills of Sale Acts, 1878 and 1882. It was void for want of registration.

PROFIT AND LOSS

INCORPORATED ACCOUNTANTS' CONFERENCE AT DUBLIN

Four papers were presented at the 1951 conference of the Society of Incorporated Accountants and Auditors held last week in Dublin. Details of the programme for those attending the conference were given in last week's issue of *The Accountant*.

Mr Bertram Nelson, F.S.A.A., Vice-President of the Society, in his paper entitled 'Profit and loss', said that in no other field of accounting was there more scope for debate than in the work related to the ascertainment and interpretation of profits and losses. He listed some of the criticisms directed against the generally accepted form of the profit and loss account as follows:

(1) Why cannot every company show the total turnover and the cost of sales?
(2) Since the new Companies Act, the accounts have been far too complicated and cannot be understood by most shareholders.
(3) Accountants have been so concerned with technical adherence to the provisions of the Eighth Schedule that they are not taking proper care to see that the profit and loss account gives a fair view of the profit or loss.
(4) There is often no single figure which represents the net profit or loss of the financial period under review. Exceptional revenue and expenditure not directly related to the financial period are shown before computing the net profit.
(5) The basis of the stock valuation method used is not disclosed.
(6) Insufficient attention is given to the treatment of initial allowances, which are having a distorting effect on published profits.
(7) Profits, after tax, are computed without any indication of the additional profits tax which would be attracted were the profits to be fully distributed.
(8) No indication is given of the effect of rising prices – what proportion of profit accrues from the inflation of the money symbol, and the extent to which amounts charged for depreciation are inadequate in relation to current replacement costs.

After considering the cases for and against changing accounting techniques to reflect 'capital erosion' caused by inflation, Mr Nelson said that he believed that the time had come for the accountancy profession to make up its mind that accounts should show the effects of price changes. He discussed the ways in which this could be done in connexion with the replacement of fixed assets and summarized his proposals thus:

(1) Depreciation would continue to be written off on the basis of historic cost.
(2) It would be recognized that in order to compute distributable profits, further setting aside would be necessary in relation to replacement costs.
(3) A recommendation should be made by professional accountancy bodies as to the way in which that further setting aside should be computed.
(4) The additional amount set aside would be regarded as a capital reserve.

He said that until accountants were agreed on this subject, it was unlikely that there would be any change in the taxation concepts of profits and instanced the reluctance of the Tucker Committee to suggest anything which was not generally accepted by the profession. Mr Nelson thought also that it was unfortunate that the Committee had rejected the suggestion that undistributed profits should be charged to tax at a lower rate than distributed profits. If, he said, some relief had been recommended and given, there might be more hope that true profits would be disclosed, unclouded by questions of policy.

Mr Nelson went on to consider, among other things, the latest developments in using the profit and loss account for the measurement of productive efficiency and gave some interesting examples of forms of account from which much useful statistical information could easily be derived.

DIRECTORS' REPORTS AND ACCOUNTS

The responsibility of company directors for their annual report and statement of accounts was considered by Mr J. Drennan Radcliffe, F.S.A.A., M.COM.SC., in his address on 'The presentation of directors' reports and statements of accounts', under the two headings of general responsibility and responsibility under the statutory provisions governing form and content. It was, he said, the firm duty of directors to present their report and accounts, and while the auditor could help them in this task, he had no power to alter the accounts and could only express disapproval of them through the medium of his certificate. Under the second heading, directors had to see that their accounts conformed with the Companies Act, 1948, in two main essentials, namely, that they were true and fair and that they gave the information called for by the Eighth Schedule. The provisions of the Act were so designed as to ensure disclosure of the current financial position, to produce a figure of 'normal' profit and to show how the profit is disposed of to taxation, reserves and dividend.

Mr Radcliffe said that there were four main classes to whom the accounts were of interest – the shareholders and the public, employees, creditors and economists, and he devoted some consideration to the particular needs of each of these. He felt that the published accounts of a company should be framed:

(1) To contain a maximum of essential facts covering the company's activities and financial position.
(2) To present these facts in a form that is intelligible to the layman and that shows significant relationships and comparisons.
(3) To awaken or sustain the interest of the reader in the company's activities and achievements.

The last part of Mr Radcliffe's lecture was directed mainly to consideration of the form which the report and accounts should take. In his opinion, the profit and loss account was the most important statement of all.

In addition to the above two speakers, Senator Edward A. McGuire addressed the conference on the subject of 'Private enterprise or socialism?' and Mr W. L. White, F.S.A.A., gave a paper on 'Government policy in relation to the economic development in the Republic of Ireland'.

THE CHARTERED INSTITUTE OF SECRETARIES

DIAMOND JUBILEE CELEBRATIONS

Formed by a group of eighteen company secretaries on October 1st, 1891, the Chartered Institute of Secretaries this year celebrates its diamond jubilee.

Within a year of its formation, the Institute had more than 500 members, and it was granted a Royal Charter in 1902; today it has 21,000 members who come from all parts of the Empire. Many of these overseas members are now in England to participate in the diamond jubilee celebrations, which included a special service in St Paul's Cathedral on June 13th.

On Thursday, June 14th, the Institute held a diamond jubilee ball at Guildhall in London, when a large and distinguished company were received by the President, Sir Edward Wilshaw, K.C.M.G., J.P., and Lady Wilshaw.

Among the guests were the Lord Mayor and Lady Mayoress, the sheriffs of the City of London, Vice-Admiral Earl Mountbatten of Burma, Countess Mountbatten and Lady Pamela Mountbatten, Lord Broadbridge, Lieut.-Col. the Hon. Martin Charteris and Mrs Charteris, and many overseas members, civic dignitaries, and secretaries of kindred professional bodies. A band of the Royal Artillery provided music for dancing and supper was served in the crypt and the Art Gallery.

After supper, a masque entitled 'Semper Vigilans', specially written for the occasion by Mr L. du Garde Peach, was presented. Scenes depicting incidents in the lives of famous secretaries of the past – Chaucer, Sir William Cecil, Milton and Pepys – were linked by short ballets, songs and music from the old instruments of the Carl Dolmetsch ensemble. Mr Alfred Reynolds composed the music, and the choreography was by Miss Pauline Grant. A vote of thanks to the producers of the masque was proposed by the Lord Mayor and received with loud applause.

The following day, the diamond jubilee dinner was held at the Dorchester Hotel, Park Lane, London, W1, and was attended by about 530 members and guests who were received by the President, Sir Edward Wilshaw, K.C.M.G., J.P., and Lady Wilshaw. Among those present were:

His Excellency F. H. Boland, LL.D. (*Ambassador, The Republic of Ireland*), and Mrs Boland; Mr J. W. Bowen, C.B.E., J.P. (*Chairman, London County Council*), and Mrs Bowen; The Rt. Hon. Sir Alfred Bucknill, P.C., O.B.E. (*Treasurer, Inner Temple*), and Lady Bucknill; Admiral of the Fleet Lord Chatfield, P.C., G.C.B., O.M., K.C.M.G., C.V.O., D.C.L., LL.D. (*Chairman, Royal Empire Society*), and Lady Chatfield; Mrs W. H. Douglas, M.D.; Mr Matthew W. Drysdale (*Chairman of Lloyd's*), and Mrs Drysdale; Sir Wilfrid G. Eady, G.C.M.G., K.C.B., K.B.E. (*Joint Second Secretary, H.M. Treasury*), and Lady Eady.

Sir Archibald F. Forbes (*President, Federation of British Industries*), and Lady Forbes; Mr K. M. Goodenough, C.M.G., M.C. (*High Commissioner for Southern Rhodesia*), and Mrs Goodenough; His Excellency The Rt. Hon. W. J. Jordan, P.C. (*High Commissioner for New Zealand*); Sir Robert U. E. Knox, K.C.V.O., D.S.O., and Lady Knox; The Very Rev. W. R. Matthews, K.C.V.O., D.LIT., D.D. (*Dean of St Paul's*), and Mrs Matthews; Sir William McNair, K.C. (*Treasurer, Gray's Inn*), and Dr D. McNair; Sir Walter Monckton, K.C.M.G., K.C.V.O., M.C., K.C., M.P., and The Hon. Lady Monckton.

Sir Frank Nixon, K.C.M.G., C.B. (*President, The London Chamber of Commerce*); Lieut.-Col. Sir Ronald Ross, M.C. (*Agent of the Government of Northern Ireland in London*), and Lady Ross; Councillor A. Sciver and Mrs Sciver (*Mayor and Mayoress of Westminster*); Sir Robert Sinclair, K.C.B., K.B.E., M.A., and Lady Sinclair; His Honour Judge Ralph Thomas, B.C.L., M.A. (*Treasurer, Middle Temple*), and Mrs Thomas; C. H. Torrance (*Acting High Commissioner for the Union of South Africa*), and Mrs Torrance; Sir Harold Webbe, C.B.E., D.L., M.P., and Lady Webbe.

After the loyal toast, proposed by the President, a toast to 'The British Commonwealth and Empire' was proposed by Admiral of the Fleet Lord Chatfield, P.C., G.C.B., O.M., K.C.M.G., C.V.O., D.C.L., LL.D., Chairman of the Royal Empire Society, who described the Chartered Institute of Secretaries, in common with the Royal Empire Society, as 'a force in imperial unity'. He compared the organization of the United Nations with the British Commonwealth and Empire with its community of spirit and deep loyalty to the Crown.

In his response, His Excellency the Rt. Hon. W. J. Jordan, P.C., High Commissioner for New Zealand, recalled New Zealand's entry into the war within two hours of its declaration, and the memorable words of the Prime Minister.

> 'With gratitude for the past and confidence in the future, we range ourselves by the side of Britain. Where Britain goes, we go. Where Britain stands, we stand.' (Applause.)

The toast of 'The Guests' was proposed by Sir Robert Sinclair, K.C.B., K.B.E., M.A., F.C.I.S. Welcoming so large a gathering of distinguished guests from all parts of the world, he expressed the regret of the members and all present that Mrs Churchill was unable to be present through illness. Mr Matthew Drysdale, Chairman of Lloyd's, responded.

Sir Walter Monckton, K.C.M.G., K.C.V.O., M.C., K.C., proposing the toast 'The Chartered Institute of Secretaries', outlined the progress and achievements of the Institute during the past sixty years, and paid a tribute to the spirit of friendship and goodwill among members of the profession.

The President, acknowledging the tributes which had been paid to the Institute, extended a special welcome to all the representatives, chairmen, members of the council and secretaries from overseas.

In conclusion, he paid a tribute to the work of Dr A. M. Allen, M.A., B.COM., PH.D., Secretary of the Chartered Institute, and the three assistant secretaries, congratulating them on the organization of the festivities. He also expressed appreciation of the work of Mr H. F. Hatfield, Examinations Officer.

The masque, described above, was presented again at the conclusion of the dinner. A programme of music was performed by the Royal Artillery Band under their conductor, Lieut.-Col. Owen Geary, M.B.E., Director of Music, R.A. It is interesting to note the programme was the same as that played by the band of the Royal Regiment of Artillery at the Institute's Coming of Age celebration in 1912.

NOTES AND NOTICES

The Institute of Chartered Accountants in England and Wales

The following is a list of Associates elected to Fellowship and applicants admitted to membership at the Council meeting held on June 6th, 1951, who completed their Fellowship or Membership before June 19th, 1951.

Associates elected Fellows

Brunning, George Stephen; 1936, A.C.A.; (Midgley, Snelling & Co), Ibex House, Minories, London, EC3; also at Accra and Lagos (*Midgley, Snelling, Barnes & Co).
Case, Philip James Lee; 1930, A.C.A.; (Edward Myers, Clark & Co), N.E.M. House, 30 Clarendon Road, Watford, and at London.
Dickinson, William; 1926, A.C.A.; (Waterworth, Rudd & Hare), Central Buildings, Richmond Terrace, Blackburn.
Fairbotham, James Alfred; 1934, A.C.A.; (Scott, Wheatley & Palmer), Suffolk House, Silver Street, Hull.
Johnson, Charles Everard Marr; 1930, A.C.A.; (Charles Eves, Lord & Co), and (Shore & Strover), 19 and 21 Moorgate, London, EC2.
McRobert, Athol Harrison; 1926, A.C.A.; (*C. Percy Barrowcliff & Co), Cavendish Chambers, The Headrow, Leeds, 1, and at Middlesbrough and Newcastle upon Tyne.
Marshall, John William Dean; 1946, A.C.A.; (*Alexander B. Neil & Co), 49 London Wall, London, EC2.
Morris, John; 1935, A.C.A.; (Harper, Feather & Paterson), Coronation House, 4 Lloyds Avenue, London, EC3.
Ohly, Sidney George Gore; 1938, A.C.A.; (*Russell, Fleming, Boys & Co), 94 Church Road, Hove, Sussex.
Park, John Elias; 1936, A.C.A.; (Tubbs, Clarke & Co), 1A Broadway Chambers, 1281 High Road, Whetstone, Middlesex.
Robinson, Kenneth Hubert; 1936, A.C.A.; (*Mullens & Robinson), 36 Station Road, Port Talbot, Glamorgan, and at Bridgend.
Sharpe, Frank; 1935, A.C.A.; 26 Arlington Road, Derby.
Taylor, Frank; 1928, A.C.A.; (Waterworth, Rudd & Hare), Central Buildings, Richmond Terrace, Blackburn.
Tidbury, Oliver Clifford; 1940, A.C.A.; (George Gradon & Co), Finsbury House, Blomfield Street, London, EC2.
Wheeler, Charles Hadley; 1924, A.C.A.; (Vincent & Goodrich), 22 Surrey Street, London, WC2.
Woodgett, Sidney Raven; 1934, A.C.A.; (*J. Paterson Brodie & Son), Market Chambers, 4 and 6 Market Street, Longton, Stoke-on-Trent, and at Burslem.
Wright, Edward James; 1934, A.C.A.; (Peter Gregson & Co), 9 Chapel Walks, Manchester, 2.

Admitted as Associate
(In Practice)

Bailey, Edward William Cecil Worner, M.C.; (*Hill, Vellacott & Co), Law Courts Chambers, 33 and 34 Chancery Lane, London, WC2, and at Cambridge and Deal; also at Belfast and Downpatrick, (*Hill, Vellacott & Bailey).

Former Member readmitted to Membership

Wood, Kenneth Millns, B.A., c/o Concrete Ltd, Green Lane, Hounslow, Middlesex.

MEMBERS' ADDRESSES WANTED

The secretary of the Institute would be glad to know the present addresses of the following members of the Institute. The town at which the member was last known is shown after each name:

Herbert Gordon Carter, A.C.A., *Guildford.*
William Forsyth, A.C.A., *London, W10.*
Roy MacKenzie, A.C.A., *London, W3.*
John Arthur Maynard, F.C.A., *Salisbury, S. Rhodesia.*
John Wills Purrett, A.C.A., *Manchester.*

* placed against a Firm Name signifies that the Firm is not exclusively composed of members of the Institute.

Inland Revenue Announcement

ADVANCES TO MINORS: ACCOUNTABILITY OF TRUSTEES FOR ESTATE DUTY: SECTION 44 (2) OF THE FINANCE ACT, 1950

The Board of Inland Revenue are advised that the reference in Section 44 (2) of the Finance Act, 1950, to a beneficiary's 'presumptive share or interest' is a reference to the share or interest to which the beneficiary is prospectively entitled upon the facts existing at the time of making each advance. A power of appointment which may affect a prospective share or interest is accordingly to be ignored until the share or interest is in fact varied by an appointment and thereafter the extent of the presumptive share will depend on the terms of the appointment.

The Board are further advised that trustees are relieved by Section 44 (2) of the Act from accountability for duty in respect of advances made to a beneficiary not of full age whose interest is totally defeated by the exercise of a power of appointment unless the total amount of the advances made to that beneficiary exceeded one-half the value of his presumptive share at the time when they were respectively made. If, however, the beneficiary succeeds absolutely and indefeasibly to some part of the settled property, however small (other than his advances), the trustees are considered to be accountable for any duty that may be payable in respect of advances made to him. If the beneficiary succeeds to nothing but a limited interest (e.g. a life interest or an annuity) or a defeasible interest which fails, the trustees are considered to be accountable for the duty in respect of advances to him only if the total amount of the advances to him exceeded one-half the value of his presumptive share at the time they were made.

The Board have directed that the official practice shall conform to the advice they have received as set out above.

Inland Revenue,
June 13th, 1951.

Professional Notes

Mr S. J. Russell, A.S.A.A., A.A.C.C.A., accountant to the British Institute of Management, has been appointed assistant accountant to the group central office of General Motors Ltd, at 23 Buckingham Gate, SW1.

The board of the Cork Manufacturing Co Ltd announce that Mr G. S. C. Harper, A.C.A., has recently been appointed secretary to the company and its subsidiaries.

Personal

MESSRS GLASS & EDWARDS, Chartered Accountants, of 3 Stanley Street, Liverpool, 1, announce that Mr J. HOWARD BRADLEY, A.C.A., who has been associated with the firm for several years, has been admitted into partnership as from June 1st, 1951.

MR ROBERT HILTON ROBERTS, F.S.A.A., and Mr WALTON GILL, A.S.A.A., announce that their practices have been amalgamated, and will be conducted under the style of ROBERTS & GILL, Incorporated Accountants, at Palmerston Buildings, 5 Manor Row, Bradford. Telephone: Bradford 23296 and 21392.

MESSRS ROBERTS, HALL & CO, Chartered Accountants, of 109 Colmore Row, Birmingham, 3, announce that Mr RICHARD BURMAN, A.C.A., who has been associated with the firm for a number of years, has been taken into partnership as from June 1st, 1951. The name of the firm will remain unchanged.

MESSRS BROWN & PIPER, Chartered Accountants, of 56 John Street, Sunderland, announce that they have taken into partnership as from May 1st, 1951, Mr K. M. MOYES, A.C.A., A.C.I.S. The name of the firm remains unchanged.

MESSRS WATSON, WADDINGTON & SHARP, Incorporated Accountants, announce that they have removed from 24 High Street, Doncaster, to Georgian House, Princes Street, Doncaster, as from Monday, June 11th, 1951. The telephone number (Doncaster 3804) remains unchanged.

MESSRS CARTER, CHALONER & KEARNS, Chartered Accountants, of Royal Mail House, 76 Cross Street, Manchester, 2, announce that they have taken into partnership Mr FREDERICK LESLIE PRUSMANN, A.C.A., who was articled to the late senior partner, Mr ROGER N. CARTER, and has been closely connected with the firm for the past twenty-five years.

Coal Compensation

FURTHER ISSUE OF 3½ PER CENT TREASURY STOCK

A further issue of about £20 million of 3½ per cent Treasury Stock 1977–80 was made on June 15th, 1951, in satisfaction or partial satisfaction of compensation due to certain undertakings under the Coal Industry Nationalization Act, 1946. The Treasury have determined in accordance with Section 21 (3) of the Act that £100 of this stock is equal in value today to £94 of compensation.

In Parliament

POST-WAR CREDITS

Sir I. FRASER asked the Chancellor of the Exchequer if he will allow post-war credits to be set off against income-tax.

Mr JAY: Arrears of income-tax on salaries and wages for 1945-46 and earlier years are set off against the post-war credit for 1945–46. That was a special arrangement made to meet exceptional circumstances, and I cannot extend it to allow other post-war credits not yet due for payment to be set off against tax arrears now due.

Hansard, June 14th, 1951. Written Answers, Col. 200.

TAX EVASIONS: PROSECUTIONS

Sir W. DARLING asked the Chancellor of the Exchequer how many prosecutions for tax evasion have occurred in England and Wales in 1945, 1946, 1947, 1948, 1949 and 1950; and how many were successful.

Mr JAY: The figures for which the hon. Member asks are as follows:

Year	*Number of Persons Prosecuted*	*Number Convicted*
1945	9	9
1946	14	12
1947	9	9
1948	19	19
1949	16	16
1950	33	32
Total	100	97

Hansard, June 18th, 1951. Written Answers, Col. 14.

Approved Auditors: Friendly Societies

The Registrar of Friendly Societies has issued the names of forty-eight approved auditors who have been appointed since the revised list of January 1st, 1951. The names of eight whose appointments are discontinued are also given.

International Fiscal Association

THE 'MITCHELL B. CARROLL' PRIZE

The International Fiscal Association which is composed of members from twenty-eight different countries has, in recognition of the work of its president in the field of fiscal law, instituted a prize to be known as the 'Mitchell B. Carroll' prize.

The prize is to be awarded annually for the best monograph on a subject to be selected by the Council of the Association. The subject this year is 'The conflict between the life of an enterprise and the annual taxation of its profits'.

No restrictions as to nationality, title, diploma or profession are imposed upon individuals submitting monographs, which must reach the Association by August 1st, 1951, addressed to Dr G. Ph. Helders, Secretary-General, International Fiscal Association, Balistraat 68, The Hague, Netherlands, from whom further details may be obtained.

Northern Chartered Accountant Students' Society

The thirty-sixth annual report of the committee of the Northern Chartered Accountant Students' Society was adopted at the recent annual general meeting.

Reviewing the year ended March 31st, 1951, the report states that the membership at that date was 377 compared with 359 a year earlier. The committee record their appreciation of the valuable services rendered by the speakers during the sessions of lectures held at Newcastle and Sunderland, most of which were well attended.

Reference is made to the successful residential course held at Hatfield College, Durham, from March 31st to April 2nd, 1951, at which there were 112 students.

The committee congratulates the 30 members who were successful in the Intermediate examination during the year, including Mr W. L. Hall, who won the 'Plender' prize for the auditing paper; and the 27 successful members who passed the Final, as well as Mr J. F. N. Jackson, of Sunderland, who was awarded the 'Deloitte' prize for the year 1950 in the Preliminary examination. The presentation was made by Mr H. Garton Ash, O.B.E., M.C., F.C.A., President of the Institute, during the Hatfield College course.

Officers and committee elected for the ensuing year are as follows:

President: Mr R. B. Kirsopp, A.C.A.

Vice-President: Mr C. S. Starkey, A.C.A.

Hon. Secretary: Mr A. Robson, 5 Ridley Place Newcastle upon Tyne. 1. Tel.: 23578.

Hon. Treasurer: Mr J. Gelley, B.COM.

Hon. Auditors: Mr E. M. Robinson, O.B.E., T.D., F.C.A., and Mr W. J. Morrison.

Committee: Messrs Graham Adam, M.C., F.C.A., C. Russell Atkinson, A.C.A., D. C. Farthing, A.C.A., E. Thrale Martin, F.C.A., S. Stark, F.C.A., J. Cronin, G. I. Farr, K. E. Hughes, J. W. Lamb, R. C. Leach, D. Nelson, S. White, C. Williams, B.COM.

Chartered Accountants' Students' Society of Kingston upon Hull

The report of the committee for the year ended April 30th, 1951, was presented and approved at the fifty-second annual general meeting of the Chartered Accountants' Students' Society of Kingston upon Hull, held on June 5th.

An increase of five during the year brings the total number of members up to 71, excluding the North Lincolnshire section which has continued to operate separately. The report states that only formalities are now needed to complete the constitution of the North Lincolnshire section as a separate society.

The officers and committee elected for the year 1951–52 are as follows:

President: Mr T. W. Mackrill, F.C.A.

Vice-Presidents: Messrs R. H. Chapman, A.C.A., N. R. Cowling, A.C.A., W. H. Hall, A.C.A., J. Palmer, A.C.A., and H. G. Sergeant, A.C.A.

Committee: Messrs R. T. Addy, E. G. Chadwick, L. Frodin, R. Pearson and R. M. Strachan.

Hon. Librarian: Mr M. M. Strachan.

Hon. Treasurer: Mr I. F. Campbell.

Hon. Secretary: Mr N. S. Staveley, c/o Messrs Fawley Judge & Easton, 1 Parliament Street, Kingston upon Hull.

Municipal Treasurers' Conference

Sir Edgar Sylvester, K.B.E., F.C.A., Chairman of the Gas Council, was unable to attend the conference of the Institute of Municipal Treasurers and Accountants held at Eastbourne last week. His paper on 'The management and control of public corporations', which was summarized in our last issue, was presented in his absence on the Thursday morning by Mr Wilfrid Bailey, F.I.M.T.A., F.S.A.A., Chief Accountant of the Gas Council.

Chartered Accountants' Golfing Society

The summer meeting of the Chartered Accountants' Golfing Society was held at Woking Golf Club on Friday, June 8th. The weather was perfect, the course in excellent condition and a most enjoyable day was spent by the forty-eight members who attended.

A feature of the afternoon greensome Stableford competition was a return of 70 gross by H. D. Nicholson and R. G. Pegler who, playing from scratch and handicap five respectively, scored 42 points.

The leading returns and prize-winners were:

MEDAL ROUND

1. J. B. P. Williamson, 83 — 13 = 70 (wins 1st prize, Lord Mayor's Cup); 2. S. G. Sillem, 77 — 2 = 75 (wins 2nd Prize and Scratch Spoon (best last nine holes)); J. R. Briggs, 77 — 2 = 75; R. G. Pegler, 80 — 5 = 75; 5. C. T. Digby-Jones, 84 — 8 = 76; H. E. Harden, 84 — 8 = 76; 7. F. Green, 86 — 9 = 77; 8. H. D. Nicholson, Scr. 78; 9. M. J. G. Harvey, 90 — 11 = 79; R. D. Henderson, 82 — 3 = 79; C. I. Steen, 92 — 13 = 79; 12. F. C. H. Edwardson, 93 — 13 = 80; H. Scott-Thompson, 88 — 8 = 80; H. R. Stacey, 84 — 4 = 80; D. C. Urry, 92 — 12 = 80.

GREENSOME BOGEY (Points Scoring)

1. H. D. Nicholson (Scr.) and R. G. Pegler (5), 42 points (win 1st Prizes); 2. J. R. Briggs (2) and C. T. Digby-Jones (10), 39 points (2nd Prizes); 3. H. E. Harden (8) and T. E. Breakell (12), 37 points; 4. S. G. Sillem (2) and J. B. P. Williamson (13), 36 points; 5. F. Green (9) and M. J. G. Harvey (11), 33 points; 6. H. A. Astbury (10) and D. C. Urry (12), 32 points; A. A. Bradshaw (13) and R. A. Daniel (8), 32 points; R. D. Henderson (3) and A. M. Lotery (10), 32 points; C. R. Jeffery (14) and W. R. Tomkinson (5), 32 points; E. E. W. Mullet (8) and J. C. Powell (11), 32 points.

The annual match with the London Solicitors' Golfing Society was played at Sunningdale on May 26th last, and resulted in the defeat of the Chartered Accountants' Golfing Society by five matches to three. By arrangement, the match was decided by two series of foursomes, played in the morning and afternoon.

Better fortune attended the chartered accountants in their match with the Bar Golfing Society at Woking on June 9th, when they achieved an overwhelming victory by nine matches to nil, with one halved. This match also was decided by foursomes.

Both matches were played on level terms the full results of each being as follows:

C.A.G.S. v. London Solicitors G.S.

FOURSOMES: FIRST SERIES (Solicitors first)

G. K. Nice and F. L. Perkins lost to
M. T. Easby and W. S. Hayes (2/1)

P. Marriage and F. R. Furber beat
S. G. Sillem and J. B. P. Williamson (5/3)

H. G. Collin and R. T. Stoneham lost to
J. K. Dick and J. Beresford (3/2)

J. E. B. Rae and H. W. Higginson beat
T. W. Auker and H. R. Stacey (4/3)

FOURSOMES: SECOND SERIES

G. K. Nice and F. L. Perkins beat
M. T. Easby and W. S. Hayes (1 hole)
P. Marriage and F. R. Furber beat
S. G. Sillem and J. B. P. Williamson (3/1)
H. G. Collin and R. T. Stoneham lost to
J. K. Dick and J. Beresford
J. E. B. Rae and H. W. Higginson beat
T. W. Auker and H. R. Stacey (3/2)

C.A.G.S. v. Bar Golfing Society

FOURSOMES: FIRST SERIES (Chartered Accountants first)

W. S. Hayes and J. R. Briggs beat
G. D. Roberts, K.C., and J. R. Blanch (6/5)
J. K. Dick and J. Beresford beat
J. B. Latey and J. L. Elson Rees (1 up)
S. G. Sillem and J. B. P. Williamson beat
E. Milner Holland, K.C., and J. Bowyer (4/2)
J. C. Sheldrake and F. Green beat
Mr Justice Karminski and P. Harris (2 up)
T. W. Auker and H. R. Stacey halved with
M. Albery and D. Green

FOURSOMES: SECOND SERIES

W. S. Hayes and J. R. Briggs beat
P. Harris and J. L. Elson Rees (5/3)
J. K. Dick and J. Beresford beat
E. Milner Holland, K.C., and J. B. Latey (3/2)
S. G. Sillem and J. B. P. Williamson beat
Mr Justice Karminski and J. R. Blanch (2 up)
J. C. Sheldrake and F. Green beat
M. Albery and J. Bowyer (4/2)
T. W. Auker and H. R. Stacey beat
G. D. Roberts, K.C., and D. Green (3/2)

Liverpool Society of Chartered Accountants

ANNUAL GOLF COMPETITION

The Liverpool Society of Chartered Accountants' annual golf competition was played off in fine, though somewhat windy weather, on Thursday, June 14th, at the Royal Liverpool Golf Club. Fifty-one cards were taken out, the results (Stableford scoring) being as follows:

Society's Cup, President's Prize and 2nd Sweep: won by K. H. MacKenzie, 34 points.

Vice-President's Prize and 1st sweep: won by M. A. Sheppard, 35 points.

Articled Clerk's Prize: S. J. Hanscombe (after tie with M. L. Kemp), 27 points.

Other Scores: R. C. Johnston (divides 3rd sweep), 33 points; W. S. Wicks (divides 3rd sweep), 33 points; D. McLay, 32 points; Stanley Morris (junr.), 32 points; W. R. Fairclough, 32 points; K. G. M. Harding, 31 points; R. P. Booth, 31 points; J. H. Worrall, 29 points; F. H. Veysey, 28 points; R. N. Roberts, 28 points; R. T. Smith, 27 points; S. B. McQueen, 27 points; N. K. Stuart, 26 points; P. F. Rogers, 26 points; J. M. Harvey, 26 points; R. H. Weston, 24 points; H. A. Fair, 23 points; E. P. D. Taylor, 23 points; S. Colvin, 22 points; C. C. Taylor, 22 points; C. J. Chibett, 22 points; D. W. R. Twist, 22 points; J. M. Harrison, 21 points; G. F. Elsworth, 21 points; J. A. Colvin, 21 points; G. P. Dews, 20 points; T. N. White, 20 points; T. A. Macfarlane, 20 points; W. E. R. Short, 19 points.

Putting (9 holes): P. F. Rogers, 17; S. Colvin, 18.

The President of the Society, Mr K. G. M. Harding, B.A., F.C.A., presented the prizes to the winners at a dinner in the Club House in the evening, at which there were thirty-six members of the Society, and Mr A. J. K. Barnes, captain of the Royal Liverpool Golf Club, was a guest.

Mr K. H. MacKenzie was commended by the President for his achievement in winning the Society's Cup on four occasions, no other member previously having won it more than three times.

The toast of 'The Royal Liverpool Golf Club' was proposed by the President, to which Mr A. J. K. Barnes replied.

Our Weekly Problem

No. 49: CHARLES HAS HIS 'PAPERS'

Charles had received his National Service papers and there was only a week to go. Mrs L. U. Sidate and Aunt Mary thought they could knit him a pair of socks if each undertook one sock. Mrs Sidate knitted for a certain time each day while she did *The Times* crossword. In two days she had finished the ribbing. After that she could knit half as fast again for the rest of the sock, the rest being four and a quarter times the number of rows of ribbing. Actually she had to get up early the last morning and spend two hours finishing it off. Aunt Mary knitted faster than Mrs Sidate, but forgot the ribbing. As she knitted while looking at television, she took half as long afterwards picking up stitches and thus spent as long as Mrs Sidate's crossword time.

How long did Aunt Mary spend each day 'viewing'?

The answer will be published next week.

ANSWER TO No. 48: MISS ASSET'S SALARY

Miss Asset's salary was £6 13*s* 0*d*.

The Accountant

ESTABLISHED 1874

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Photograph of Mr Robert Gordon Simpson, M.C., C.A., First President of The Institute of Chartered Accountants of Scotland, 1951

THE ROYAL COMMISSION

INCOME TAX AND NATIONAL INSURANCE

THE first public meetings of the Royal Commission on the Taxation of Profits and Income, reported on another page, were devoted to the question, 'Would it be advantageous to link income-tax with social security payments and contributions?', and in particular to three carefully prepared and well thought out memoranda which had been submitted, one by LADY RHYS-WILLIAMS, the originator of the idea, one by MESSRS HAYNES AND KIRTON, and one by an *ad hoc* committee of the Liberal Party Executive. Although differing in points of detail, these three memoranda have substantially the same main objects, namely to collect social insurance contributions in the form of income-tax, to replace income-tax personal allowances by allowances actually paid to the individual, and to simplify income-tax still further by charging it at a flat rate for all earnings below a certain figure, thus abolishing the cumbersome machinery and anomalous workings of P.A.Y.E. The point is made that income-tax long ago ceased to be merely a means of raising money for defence and other Crown purposes, that it is already a traditional way of redistributing the spendable income of the population, and that the separate collection of national insurance contributions is unreal because they are not in fact allied with the amount of expenditure on social welfare. Consequently, it is argued, the elaborate system of insurance cards, fixed contributions, and records for each contributor, is not socially necessary, any more than the complexities of P.A.Y.E.

Leaving aside for the moment consideration of the merits of the proposed alternatives, the prospect of abolishing P.A.Y.E. is certainly attractive; the saving in man-power and frustration would be enormous, for millions of people there would be no more return forms, tax deduction cards, or insurance cards, to mention only a few things. The labour force thus freed could be put to more productive work. Moreover it is obvious that much of the work at present done by this labour force is self-cancelling. The taxpayer receives a tax allowance for his national insurance contributions which reduces their effective amount and has to be separately calculated. On the other hand, certain of the benefits, as well as family allowances, go to increase his tax burden, an increase which must also be separately calculated. Again, the fact that he has children goes to reduce his income-tax bill. Certain tax allowances are designed to encourage a married woman to work, certain national insurance provisions have the opposite effect. If the elaborate calculations of the Ministry of National Insurance show that a contributor does not have enough credits

to entitle him to his contributory pension or other benefit, he has only to apply to the National Assistance Board, for he will not in any case be allowed to starve. Income-tax so far has been indissolubly wedded to the year, social security to the week. Marriage on the last day of the tax year brings a tax repayment of as much as £38 to the higher income groups, and similarly with child allowance, a result which would be considered fantastic if it applied to national insurance benefits. Sickness or unemployment towards the end of the tax year brings handsome P.A.Y.E. refunds, but not if unemployment is staved off until after the tax year has closed. A man with a wife and two children who earns £1,000 over two years will pay about £160 tax if he earns it all in the second year, against £20 if he earns it at a constant rate. Income-tax encourages a first child, but family allowance concerns itself with the second and subsequent children, although it is the first child which brings the financial upheaval and usually puts an end to the mother's working career.

These few examples indicate that for the majority of the population the machinery of taxation and social security could be not only more simple but more rational. The protagonists of the schemes under discussion claim that they would achieve this and other advantages, including the incentive to higher production which a modest flat rate tax would give in contrast to a steeply progressive rate on marginal earnings. Again there would be more flexibility; contributions could be raised and lowered by simply altering the rate of tax, instead of working out new individual contribution rates and printing millions of new insurance cards.

If the flat rate adopted was low, it would be necessary to have additional taxation on incomes above a certain figure, which has been variously put at £450, £500 and £600 per annum, but the number of people falling within this range would be relatively small. LADY RHYS-WILLIAMS' scheme envisages an extension of the existing sur-tax down to that limit. If this were done, another existing anomaly could be dealt with at the same time, namely the sharp rise in rate when earned income passes the £2,000 mark, which at present is from 7*s* 6*d* to 11*s* 6*d*. The other schemes envisage a separate (third) tax which would apply also to companies.

None of the three schemes is free from imperfection and it is clear that apart from transitional difficulties which would be considerable, it would not be easy to marry the new flat rate tax into the existing scheme of direct taxation. All the schemes would worsen the relative position of the single person, especially in the low income groups, but the recent Budget indicates that this is in any case government policy. The fact that the witnesses before the Commission were not versed in the day-to-day administration of income-tax put them at a disadvantage in answering questions of detail, but what they lacked in this respect was made up for by their ability to see the problem as a whole. In this connexion a question of how to deal with, say, the excess of building society interest over a Schedule A assessment smacks somewhat of the coachbuilder who was concerned about where to fix the whip socket in the newfangled horseless carriage he had been commissioned to build. A layman would not so readily accept the convention that the 'interest' portion of building society payments, which can only be computed by an abstruse calculation, must necessarily bring income-tax advantage, while the interest element of hire purchase payments must not. The practice of giving tax relief to the borrower who is in a position to obtain a bank overdraft or an advance from his stockbroker, and of refusing it to the man who must go to a moneylender, is another anomaly which has long been accepted. There is much to be said for sweeping away many of these trifling adjustments, certainly among the lower income groups.

The meeting was overshadowed by a mysterious document prepared by the Board of Inland Revenue and apparently designed to show the undesirability of any change of the kind proposed. Although copies of this document had been given to the witnesses, who were questioned in detail upon it, the text was not released and consequently the public were at a considerable disadvantage in following the proceedings. However, to judge from some of the extracts which were read out, and the forthright comments of the witnesses upon them, it seems that the document is by no means free from criticism.

It is to be hoped that publication will be permitted before the Commission meets in public again.

RESALE PRICE MAINTENANCE

THE fairly rapid rise in the cost of living has perforce focused attention on the costs of distribution. And once attention is directed to distribution costs, the subject of price maintenance must inevitably be brought up. It is not a new topic; it has formed the whole or part of the terms of reference of three official committees which have reported during the last twenty-five years or so. But the subject has come right to the fore with the announcement made in a White Paper, 'A Statement on Resale Price Maintenance',[1] that the Government intend to make it illegal. Such a step can be expected to have a profound influence on the retail trade in branded and proprietory articles and the whole subject is well worth at least a cursory study.

Resale price maintenance, as defined in the White Paper, is a trade practice by which shopkeepers and dealers have to sell goods at prices laid down by the manufacturer or other supplier and are not free to settle their own selling prices in the light of their own circumstances. The goods to which the practice applies are nearly always branded goods, i.e. goods marked with the manufacturer's name and specially packed by him, possibly bearing a trade mark, but always appearing in a readily identifiable form. Many examples will instantly come to mind, cigarettes, electric lamps, packeted foods, and the like.

The White Paper points out that there are two stages in the process of maintaining resale prices and preventing price reductions by retailers. In the first place, the manufacturer of branded goods lays down the price which he wants the retailers to charge. This price is often marked on the packet anyway, and in the days when there was a buyer's market, was widely advertised. The second stage is to see that retailers comply with the resale prices laid down. This is sometimes done merely by the individual manufacturer refusing to go on supplying a trader who has failed to comply with his prescribed prices. In the bulk of cases, however, the White Paper maintains that the collective enforcement of resale prices by trade associations applies. The salient feature of most of these collective enforcement regulations is the power of the associations to organize a boycott against a trader who reduces any of the prices they seek to enforce. These regulations often go much further than this. They may govern the hire-purchase terms operated by the retailer, the prices which may be allowed for second-hand goods taken in part payment, and the discounts which may be given to large buyers. The White Paper makes a special point that the dividend paid by co-operative societies is often regarded as 'price-cutting', and accordingly the societies are unable to get supplies or can get them only if they undertake not to pay a dividend on such goods.

Statistical information on retail distribution is somewhat lacking and the extent to which resale price maintenance is prevalent is somewhat uncertain. The most complete study of distribution, 'The Distribution of Consumer Goods', published in 1950 under the auspices of the National Institute of Economic and Social Research, deals with conditions in 1938. In this study it is shown that producers' distribution costs represented 5·5 per cent of the retail price of all consumer goods, wholesalers' margins about 4·3 per cent and those of retailers about 27·2 per cent – a total of 37 per cent. The White Paper gives an estimate showing that in 1938 about 30 per cent of the public's expenditure on consumer goods was on price-maintained articles, and ventures the opinion that this percentage has probably increased.

It will be recalled that the last committee to study the problem, the Lloyd Jacob Committee, reported in 1949. This committee pointed out that retail costs vary considerably from one shop to another and that there is no such thing as an 'average' retailer. The White Paper makes a similar point. It instances two cases – one a shop which carries a wide range of stock, runs an expensive delivery service and gives long credit; another which concentrates on quick-selling lines and trades on a cash-and-carry basis. Clearly the latter's costs are lower than the first case and his profit on price-maintained goods correspondingly higher. It must have been a source of wonder to many how it comes about that the kiosk at the top of a high mountain can sell cigarettes at the same price as a shop in the West End or in a small provincial town. The margin

[1] Cmd. 8274. H.M.S.O., 6*d* net.

allowed on price-maintained goods must be such that it pays the least efficient retailer operating under adverse conditions. The highly efficient retailer with a good situation and a large and quick turnover can therefore make a substantial rate of profit. True, some of this potential profit is returned to customers in the form of services – delivery, rest rooms, carpeted floors and restaurants, for example. But all consumers do not want these; many would prefer lower prices. The White Paper is on good economic grounds when it says:

> 'the Government sees two main objections to the practice [of resale price maintenance]. First and foremost, it has the economic effect of stifling competition and of preventing shopkeepers from making price reductions which they may be willing to make.'

In spite of the self-evident proposition that resale price maintenance tends to stabilize prices which otherwise might fall, there was a surprising amount of support for the scheme in the evidence given before the Lloyd Jacob Committee. Housewives, and housewives' associations generally, agreed in this evidence that fixed retail prices were advantageous since purchasers knew in advance how much would have to be paid for branded goods. Moreover, it was said that if branded goods were sold at less than the fixed prices, their quality would be suspect and the manufacturer's reputation suffer thereby. Experience in pre-war days showed that whilst certain sections of the community would not patronize the 'cut-price' shop, others flocked there in large numbers. The White Paper rejects this support for resale price maintenance as being illogical and ill-considered. Very probably the White Paper is right. It is equally right when it goes on to admit that the resale prices fixed by manufacturers have in some cases been below what the goods would fetch in the open market in times of scarcity. Cigarettes and motor-cars are quoted as examples. The fixing of maximum prices by manufacturers is naturally regarded as wholly laudable. Much emphasis was also placed by trade associations on the 'loss-leader' argument in their evidence to the Lloyd Jacob Committee. 'Loss-leaders' are goods sold below their normal prices in order to attract custom. Branded goods with a known price are good candidates for this kind of customer-attraction. Manufacturers felt that their interests this way, as of course they could be if resale price maintenance were not allowed. The Government feel that this argument has little point in the present era of full employment and high demand.

The Lloyd Jacob report made three recommendations. The first was to the effect that no action should be taken which would deprive an individual producer of the power to prescribe and enforce resale price maintenance for his own branded goods. The second suggested that public policy required an adequate distribution system which allowed for savings in costs to be passed on to the consumer, and therefore could not countenance the use of resale price maintenance to obstruct the development of particular methods of trading, or deprive the public of benefits arising from improved methods. To this end, it was suggested that talks should take place between the Government and trade associations. The third recommendation was that collective sanctions should be made illegal.

In the end, the Government propose to go beyond the recommendations made in the Lloyd Jacob report, and now says that it is its intention to introduce legislation to make illegal: (i) collective arrangements designed to ensure that goods shall be sold at or above specified retail prices; and (ii) any indication by a manufacturer or other supplier of goods of a resale price for those goods unless that price is clearly stated to be a maximum price.

This legislation will clearly mark the end of resale price maintenance. On economic grounds this decision has much to commend it. The public will have the opportunity of buying at lower prices, the retailer will become less of an automaton and be able to exercise a price-fixing function, and manufacturers may well find that the turnover in their goods is increased. In the present inflationary situation, it is doubtful, however, if many prices will in fact be reduced. There will be little price-cutting on the whole, but co-operative societies may well benefit substantially from the change.

It would appear that the Government have taken up the cudgels in very forceful fashion on this subject and, indeed, there is doubtless a fruitful field for such intervention. May we suggest that the protection of the consumer from the nationalized monopolies is a field for similar

THE FINANCE BILL, 1951: THE COMMITTEE STAGE – III

Avoidance of profits tax

CLAUSE 27 is designed to prevent the avoidance of profits tax by the capitalization of reserves followed by a reduction of capital, or vice-versa. Capital for this purpose is deemed to include loan capital unless it was issued for full consideration paid in *cash*, but the ATTORNEY-GENERAL agreed during the course of the debate to draft an amendment to exempt other genuine transactions.

The proviso to Section 36 (1) of the Finance Act, 1947, which defines 'distribution', provides that no sum applied in repaying a loan or reducing share capital shall be treated as a distribution. The Opposition sought to extend this proviso to premiums payable on redemption and to the nominal value of securities, received on compulsory acquisition of the whole or part of a business. This amendment was not accepted.

Clause 28 provides that where the Commissioners are of the opinion that a main purpose of a transaction was to avoid or reduce liability to profits tax they may direct adjustments to be made to counteract this effect.

The ATTORNEY-GENERAL admitted that the clause was drastic, but stated that since avoidance of tax was increasing it was better than adding clauses year after year to stop leakages as they appear, and that in any case appeal lies to the SPECIAL COMMISSIONERS.

The ATTORNEY-GENERAL gave an assurance that if the Treasury gives permission for an act prohibited by Clause 32, Clause 28 will not be applied to the same transaction, provided that the full facts were before the Treasury when the consent was given; but he would not undertake to embody this in the Bill. He also promised to consider whether the Commissioners should not be required to disclose the grounds of their decision and whether some extra-statutory procedure could not be devised whereby companies could discover whether or not a proposed transaction was likely to involve a direction at some subsequent date. It was generally regarded as regrettable that the clause should introduce so much uncertainty into many [illegible]mmon and otherwise perfectly proper transa[illegible]uation schemes. The lack of a time limit on the power of the Commissioners to make a direction, makes the position worse, but the ATTORNEY-GENERAL resisted MR BELL's proposal for a three-year limit on the ground that downright dishonesty was sometimes present and that any such provision would give an opportunity to the dishonest to escape paying tax by lying low until the period was past.

An assurance was given that a decision not to increase dividend payments in a period of increased profits will not involve a direction even though it is made in order to avoid additional profits tax, and an amendment in that sense was promised by the Government. Similarly no direction will normally be made merely because, for the same reason, capital is raised in the form of debentures rather than shares. However, a caveat was issued that if redeemable bonus debentures were used for the purpose of concealing what was really a distribution of income, a direction might be made, and the ATTORNEY-GENERAL was consequently not prepared to agree to an actual amendment in this case.

Company transactions abroad

The provisions of Clause 32, which requires Treasury consent for the transfer of control of companies out of this country and for certain other acts overseas, were described in a leading article on the Finance Bill in our issue of May 5th, 1951, in which we also indicated some of the objections to it.

During the present debate, the chief argument of the Opposition speakers was that the clause threatened London's position as an international centre of commerce and finance without any comparable benefit. To prohibit the emigration of mining companies, for instance, would prejudice the re-establishment of London's pre-eminence in the mining world but would not provide any permanent solution to the problem. It was suggested that the clause had probably already done considerable harm – just as the threat of nationalization injured the overseas business of insurance companies.

Government spokesmen chiefly relied on the

argument that exchange control, though closely affecting international trade and commerce, has operated for ten years without preventing a great increase in our exports, both visible and invisible. This type of argument, which is based on the buoyant conditions of the immediate post-war period, is beginning to wear very thin. It has already been used in this debate, to suggest amongst other things that the present rates of taxation are not too high and that there is no shortage of capital in industry. Those who employ it usually forget, or fail to point out, that a five-year period which has seen a substantial American loan, a sellers' market, Marshall aid, and, finally, world re-armament on a massive scale, is a most unsuitable barometer by which to judge the efficacy of fiscal and economic policies.

So far as the detailed provisions are concerned, MR GAITSKELL undertook to table an amendment to give the Treasury power to exempt particular classes of transaction from the operation of the clause, as has been done under the Exchange Control Act. He suggested that one such class might comprise companies coming to the United Kingdom from abroad, and another, companies with subsidiaries abroad which wished to issue shares abroad in order to finance development. He said he could not be more explicit until practical experience of the working of the clause had been gained.

Two more minor amendments were conceded by the Government. Transfers of assets which do not materially alter the trade or business will be the subject of a separate proviso taking them out of the clause, and the exemption already granted to investment companies will be extended to transfers of stock other than those effected on the Stock Exchange. This exemption will not apply where the transfer is in favour of a subsidiary abroad under the parent company's control.

Though several amendments have therefore been accepted the clause is still unaltered in matters of substance. In particular, the Government adhered to sub-clause (2) under which directors are parties to every act of their companies unless they can prove that the act was done without their consent or connivance, and which raises the presumption that any act which was in fact unlawful under the clause was unlawful to their knowledge. In view of the heavy penalties for

Some guidance has been given as to how the Treasury will exercise their discretion. For instance, it has been indicated that where one United Kingdom company wishes to associate with another in an overseas subsidiary owned by one of them, or where shares are to be transferred to employees abroad as a reward for their services, Treasury consent will be readily forthcoming.

Clause 33 deals with tax avoidance by sales etc. between associated persons, e.g. by a company invoicing goods to a controlled subsidiary overseas at less than the arm's-length price. The ATTORNEY-GENERAL said that the Government could not do without some such clause to deal with certain types of tax avoidance but agreed that it raised serious difficulties which would be considered later, presumably on the report stage. The chief difficulties pointed out by the Opposition were that a company would be discouraged from underselling in order to gain entry into a new market abroad, and that in many cases it would be administratively impossible to say what a proper price should be.

New Clauses

The Government added to the Bill a new clause extending from March 31st, 1952, to March 31st, 1954, the time limit within which capital expenditure on post-war rehabilitation must be carried out in order to qualify for deduction as an expense for income-tax and profits-tax purposes. The Government have agreed to make a similar extension to the relief from excess profits tax in respect of terminal expenses.

The Government propose to classify speedway racing as a 'live' and not a 'dead' sport thus qualifying it for the reduced rate of entertainments duty. The whole structure of the present entertainments duty is to be reviewed.

In response to a proposed amendment, MR J. EDWARDS revealed that where an owner necessarily incurs expenditure on the destruction of rabbits or other vermin on his land, whether in response to a notice under Section 98 (1), Agricultural Act, 1947, or otherwise, the reasonable cost of such destruction, less any sum received from sales, may be admitted in a maintenance claim.

Some of the other amendments discussed will be referred [illegible]ticle dealing with the

WEEKLY NOTES

More Birthday Honours

In our issue of June 16th it was our privilege to congratulate certain members of the profession whose names appeared in the Birthday Honours List. We now congratulate Mr Andrew Black, A.S.A.A., director of acquisitions, British Transport Commission, who has been awarded the C.B.E., and Mr Albert Berina Sturgess, A.S.A.A., chief executive officer, Ministry of Transport, who has been awarded the O.B.E.

The Scottish Amalgamation

As we said in a leading article in our issue of January 6th, 1951, the amalgamation of the three Scottish societies of chartered accountants, the completion of which is announced on another page, ends an important chapter in the history of the profession. But, happily, it opens another and probably even more auspicious one. With nearly a hundred years of experience and tradition behind it and the complex problems of a changing and unsettled world before it, the combined society will have early opportunities of using to good advantage its solid inheritance of prestige and authority. We offer our sincere good wishes to the first Scottish President and to those in office who have been entrusted with the task of proving that where wise counsel has to be translated by initiative into speedy action, one head is, in a manner of speaking, better than three.

The First Scottish President

Mr Robert Gordon Simpson, M.C., C.A., has been elected the first President of The Institute of Chartered Accountants of Scotland.

Admitted a member of The Society of Accountants in Edinburgh in 1911, Mr Simpson has been President of that Society since February 1948. He has been the senior partner in the firm of Messrs Chiene and Tate, Chartered Accountants, since 1936, having been associated with the firm since 1912.

Mr Simpson has held numerous directorships and has been chairman or deputy chairman of the boards of several companies, including the General Accident, Fire and Life Assurance Corporation and the United Molasses Company and its subsidiaries. He was a Government director of Scottish Industrial Estates, a company formed to promote the development of factory sites in Scotland. During the 1939–45 war he served on a departmental committee, appointed by the Minister of Labour, to inquire into the use of skilled men in the Forces.

He served in the Second Battalion, The Royal Scots, during the 1914–18 war, attaining the rank of captain. He was twice wounded.

Mr Simpson was born in 1887, his father being Sir Robert R. Simpson, W.S. His grandfather, Samuel Raleigh, was one of the original members of The Society of Accountants in Edinburgh on its formation in 1854 and it is interesting to note that his great-uncle was Sir James Simpson, the discoverer of the anaesthetic properties of chloroform.

We wish Mr Simpson success and happiness during his period of office. It gives us great pleasure in this issue to present to our readers a reproduction of a recent photograph of the first President of The Institute of Chartered Accountants of Scotland.

Lord Latham's Presidential Address

Commenting on the Carr-Saunders report on education for commerce[1] in his presidential address at the annual conference of the Association of Certified and Corporate Accountants at Buxton, the Rt. Hon. Lord Latham, J.P., F.A.C.C.A., said that no recognized accountancy body, and certainly not the Association, could accept the suggestions implicit in the recommendations contained in the report that any outside authority, however closely linked with the official educational structure, should have the right to determine the character of the training or the test of achievement for admission to membership. This must continue to be, as it always had been, the function of the respective professional bodies. There could be no infringement or weakening of this principle for it went to the very root of their rights and duties.

Turning to the Tucker report on the taxation of trading profits, Lord Latham said that in his opinion it was disappointing because it did not make positive and comprehensive proposals on such current problems as the effect of inflation on depreciation allowances and the provision of funds to replace fixed assets in a prolonged period of rising costs. He stated that the Association had made a realistic approach to these matters in the memorandum submitted to the Royal Commission on the taxation of profits and income. To protect real capital and to ensure that part of it was not taxed annually in the guise of income, the Association had recommended (*a*) that the depreciation allowance be ascertained as hitherto on a historical cost basis but that the resulting figure be adjusted to allow for the relative change in the price level of the year in question compared to that in which the asset was acquired, and (*b*) that the ordinary FIFO method of stock valuation, inserting into the revenue account a special tax free stock replacement provision equal to the amount of the expansion in stock values due to price inflation, be adopted.

Lord Latham concluded a stimulating address with some reflections on the new problems caused by the changed and changing pattern of trade and industry and warned his listeners that while the accountant was at the nerve centre of business together with other technical experts, it was no part of his proper function, as an accountant, to supplant the technical expert, or to assume the role of manage-

[1] See *The Accountant*, January 14th, 1950, and May 5th, 1951.

ment. His job was to place his special knowledge and skill at the service of management in a full spirit of co-operation.

Government Accounting

In a written Parliamentary reply last week, Mr Douglas Jay, Financial Secretary to the Treasury, stated that the Government was in substantial agreement with the view of the Committee on the Form of Government Accounts on the main questions canvassed in its report, published last June.[1] In particular, the Government agreed entirely with the central conclusion of the committee that government accounts should remain on a cash basis and regarded this verdict by such an expert and authoritative body, including as it did, eminent members of the accountancy profession, as of great importance.

Mr Jay described the recommendation made by the committee that trading funds should be established in large and prominent trading operations of government departments as an interesting proposal but thought that, as the idea was not free from practical difficulties, further study would be necessary before a final decision could be taken.

The reply stated in conclusion that, whereas the Government fully agreed with the committee that the methods of government accounting should be kept under constant review, in the light of current developments, it did not necessarily endorse the suggestions about accounting personnel contained in the report. These were, briefly, the employment in the Civil Service of carefully selected accountants to improve and develop government accounting, the appointment of an accountant of high professional competence and wide commercial experience to the staff of the Treasury officers of accounts and the setting up of an advisory accounting body to the Treasury.

Indian Income Tax

If a Bill now before the Indian Parliament becomes law there will be a considerable tightening up of Indian income-tax, some of the changes resembling innovations introduced into this country some time ago. According to the *Financial Times* of June 18th last the full value of benefits in kind received by an employee will be included in his taxable emoluments, while an employer will not be allowed to deduct bonus and commission paid which in the opinion of the income-tax officer is excessive or unjustified. Persons not of Indian domicile may be required to produce a tax clearance certificate when leaving the country.

A company which is resident in India will not qualify as a 'public' company, and will therefore lose considerable tax advantages, unless it satisfies three separate tests. First, it must not be a private company under the Indian Companies Act. Secondly, its shares must have been offered for sale in a recognized stock exchange in the taxable territories in the preceding year. Thirdly, it must not be a company in which more than 50 per cent of its total voting power was held by less than six persons at any time during the preceding year.

[1] See *The Accountant*, July 1st, 1950.

A Ministry of Materials

The functions of the new Ministry of Materials under Mr Stokes have now been set out in a White Paper. They delineate an organization which is a remarkable amalgam of common sense and administrative expediency. The basic idea is simple. It is to create an administrative machine which will reach up to Cabinet level and so achieve rapid action on getting materials for industry. The Ministry will be concerned only with obtaining supplies. Which industry gets priority of supplies and so on is not within its province to decide.

The natural way to set confines to the Ministry's activities would have been to give it a specific list of materials to go out after. Indeed, this principle has been followed to a large extent. But the steel industry (perhaps the most important of all from this point of view) remains with the Ministry of Supply, as do some other metal alloys, and the Board of Trade is to keep a number of industries under its wing so far as getting supplies is concerned. The new Ministry takes over some 130 materials.

Capital Investment Programme

When the Economic Survey was published earlier this year it was stated that the capital investment programme would be revised in the light of the defence drive. The Chancellor of the Exchequer informed the House of Commons last week that this revision has now taken place.

Total fixed investment may reach £2,230 million this year compared with £2,162 million in 1950. This slight increase will not extend to civilian investment, however. There are to be substantial cuts in civil investment this year and even larger ones in the following two years. In 1951 there will be no increase in the amount of plant and machinery going to home industry and there will be a further reduction here in 1952 and 1953. Since an increasing amount will go even this year to defence, there will be an actual fall in supplies to the civilian market.

The Government has quite abandoned the idea of a detailed schedule of investment programmed by industry. Certain information is given, however, as to how the revised plans will affect the basic industries. Investment in coal, electricity, gas, coke ovens, railways, roads and petroleum will be higher than last year – notably so in the case of the first two. Industrial building is to be cut and office buildings will not be approved for erection except under certain conditions. Education schemes will be allowed to carry on but the housing target will be kept at 200,000 subject to local delays as men and materials are moved into defence work. Government building is to be checked and there is a limit set on the expenditure on individual entertainment projects.

FINANCE AND COMMERCE

Stock markets have reacted very cautiously to the news of Mr Malik's peace proposals. It is too early yet for the market to show any definite alteration of trend and much, of course, must depend upon the eventual outcome of the Russian move. Markets are in a rather tender and apprehensive state with the volume of business small.

At the same time, if the Russian proposals prove sincere, most sections of markets are in a position to respond quickly to changed conditions. Improvement in the international situation could bring quite an appreciable rally in the gilt-edged market, and possibly reaction in equities. There are so many side issues to be considered, however, that clearly defined trends may be some time in developing. After some four months of relatively settled conditions stock markets are again contending with a number of difficult factors.

Herbert Whitworth

This week's reprint gives the accounts of Herbert Whitworth Ltd, the Manchester merchant converters and exporters of cotton, rayon, woollen yarns and piece goods. The private company, registered in 1931, was made public in 1947, and in the course of the following two or three years acquired four subsidiaries.

These companies had previously been independently owned, and in consequence, says Mr Cooke, the chairman, in his statement with the accounts, the methods of showing the assets have not been consistent as between one mill and another. In every case, book values bore little relation to the value of the assets at the time of their acquisition by Herbert Whitworth. The directors accordingly arranged for a professional valuation of the assets as at March 31st, 1951.

The consolidated balance sheet includes the assets on the basis of 40 per cent of this valuation, in order, the chairman states, to make allowance for today's high price-level. No indication, however, is given as to why 40 per cent was chosen for this purpose.

We should like to suggest that in this and similar cases the result of the latest asset valuation should be brought into the balance sheet as a ruled-off item in a similar way to the statement of authorized capital before issued capital.

Asset Values

To revalue or not is certainly the question of the moment. Imperial Chemical Industries has recently provided a very strong positive answer. Herbert Whitworth, as we show this week, goes, as it were, half-way. Mr G. Leslie Wates, chairman of Johnson & Phillips, the cable makers, is not at all sure. 'I do feel', he said, at the company's annual meeting, 'that it is dangerous to depart from the historical method when dealing with the figures of assets in a balance sheet.'

He admits, of course, that depreciation based merely on book values is insufficient, under conditions of inflation, for the replacement of assets. Provision should be available to the directors in some form or another, he said, for the company's future needs in relation to the excessive cost of re-equipment. And so long as sufficient money is left in the business, that, he feels, is really all that matters.

Some would create a special replacement reserve, Mr Wates observed; others a special depreciation reserve; or again, one might rely, he said, on any general contingencies reserve. The method was not of great importance, although with so many varieties of treatment, it was essential that shareholders should be able to understand what the accounts submitted to them mean.

What is Profit?

All this, however, leaves untouched the very important question that logically follows: What is profit? This was the important point in Sir William Currie's speech as chairman of the Peninsular and Oriental Steam Navigation Co. Sir William pointed out that the most important aspect of the current replacement cost was the amount that should be set aside annually to effect the replacement of the fleet. The company could not survive, he said, if depreciation based only on original cost were charged against profits and the balance distributed. The additional amounts set aside, although technically reserves, he declared, were nevertheless necessary charges against profits.

The seriousness of the situation is evident in his statement that 'over the past three years, the amounts set aside by the group for depreciation as transfers to replacement of assets reserves, and even after charging the tax relief on initial allowances, were less than the amounts required as depreciation based on the replacement cost of the group's fleets'.

If the business were to remain virile, Sir William declared, it must be able to make good out of current profits the wastage of capital used in earning those profits. And the making good, be it remembered, is a charge against profit, whatever method is used to effect it.

Money Market

Application for Treasury bills on June 22nd totalled £343,975,000 varying only £20,000 from those of the previous week. As a result the market again received 62 per cent of requirements at its maintained bid of £99 17*s* 5*d*. The average discount rate showed little alteration at 10*s* 2·81*d* per cent against 10*s* 2·88*d* per cent previously and this week's offer is maintained at £250 million, balancing maturities. There is neither call against nor maturity of Treasury deposit receipts this week.

HERBERT WHITWORTH LIMITED

Consolidated Profit and Loss Account for the Year ended March 31st, 1951

1950 £	1950 £		£	£
	463,029	**Trading Profits for the year, subject to the items below**		482,283
215		*Add* Investment Income	297	
73		Transfer Fees	83	
	288			380
	463,317			482,663
		Deduct Emoluments of the Directors of Herbert Whitworth Ltd:		
1,500		Fees	1,500	
23,622		Other Emoluments (including Superannuation Contributions)	29,535	
25,122			31,035	
4,635		Depreciation of Fixed Assets	968	
	29,757			32,003
	433,560	**Profit for the year before providing for Taxation**		450,660
		Deduct Taxation on the Profits of the year:		
58,500		Profits Tax	65,590	
171,119		Income Tax	190,968	
229,619			256,558	
11,400		*Less* Adjustment of Previous Periods	10,757	
	218,219			245,801
	215,341	**Profit for the year after providing for Taxation as above**		204,859
	8,623	*Deduct* Proportion of Profits of Subsidiary Companies attributable to minority shareholders		8,930
	206,718			195,929
	62,539	*Deduct* Undistributed and, in 1950 Pre-acquisition, Profits of Subsidiaries, attributable to Herbert Whitworth Ltd		62,251
	144,179	**NET PROFIT for the year of Herbert Whitworth Ltd**		133,678
	42,341	*Add* Balance at credit of Profit and Loss Account of Herbert Whitworth Ltd, brought forward from previous year		46,235
	186,520			179,913
		Deduct Appropriations:		
50,000		General Reserve	50,000	
50,000		Stock Reserve	50,000	
5,000		Staff Superannuation Reserve	5,000	
635		Dividends on Preference Stock for the year (half year in 1950) less Income Tax	1,270	
17,325		Interim Dividend on Ordinary Stock of 30 per cent less Income Tax, paid November 4th, 1950	17,325	
17,325		Proposed Final Dividend on Ordinary Stock of 30 per cent less Income Tax	16,538	
	140,285			140,133
	46,235	**Balance carried forward – Herbert Whitworth Ltd**		39,780
	65,981	*Add* Proportion of Balances carried forward in Subsidiary Companies applicable to the Shareholdings of Herbert Whitworth Ltd		128,232
	£112,216	**Balance carried forward in the Consolidated Balance Sheet**		£168,012

Balance Sheet as at March 31st, 1951

1950 Adjusted £		Author-ized £	Issued and Converted into Stock £	£
	Capital			
	100,000 5½ per cent Cumulative Preference Shares of £1 each	100,000	42,000	
	4,000,000 Ordinary Shares of 1s. each	200,000	105,000	
147,000		£300,000		147,000
	Capital Reserves			
33,502	E.P.T. Post-war Refund (Expended)		33,502	
108,597	Premiums on Shares less Bonus Shares and Costs of Issue		108,243	
142,099				141,745
	Revenue Reserves			
100,000	General Reserve		150,000	
100,000	Stock Reserve		150,000	
10,000	Staff Superannuation Reserve		15,000	
46,235	Profit and Loss Account		39,780	
256,235				354,780
545,334				643,525
126,000	**Reserve for Future Income Tax**			130,000
	Current Liabilities and Provisions			
253,770	Sundry Creditors, Accrued Charges and Current Taxation		296,788	
13,690	Owing to Subsidiary Companies on Current Account		10,567	
17,325	Proposed Dividend less Income Tax		16,538	
284,785				323,893
£956,119				£1,097,418

1950 Adjusted £		£	£
	Fixed Assets		
4,243	Motor Vehicles at Cost	4,892	
2,943	*Less* Depreciation	3,592	
1,300			1,300
420,649	**Investments in Subsidiary Companies at or under cost**		416,899
	Current Assets		
259,734	Stock-in-trade, as certified by Company's Officials	440,143	
70,912	Sundry Debtors and Prepayments, less Provision for Doubtful Debts	178,202	
28,098	Bills Receivable	9,851	
68,864	Cash in Transit, at Bankers, and in hand	45,635	
106,562	Owing by a Subsidiary Company on Current Account	5,388	
534,170			679,219
£956,119			£1,097,418

W. COOKE
TOM WELCH } *Directors.*

Notes.

There are no Capital Expenditure Commitments.

There is a contingent liability (estimated at Nil) on Bills negotiated totalling £9,356.

HERBERT WHITWORTH LIMITED
Consolidated Balance Sheet as at March 31st, 1951

1950 Adjusted £		Authorized £	Issued and Converted into Stock £	£
	Capital and Reserves of Herbert Whitworth Ltd			
	Capital			
	100,000 5½ per cent Cumulative Preference Shares of £1 each	100,000	42,000	
	4,000,000 Ordinary Shares of 1s each	200,000	105,000	
147,000		300,000	——	147,000
	Capital Reserves			
38,943	E.P.T. Post-war Refund (Expended)		38,943	
108,597	Premiums on Shares less Bonus Shares and Costs of Issue ..		108,243	
—	Surplus on Spinning Machinery Sales		1,969	
	Surplus on Revaluation of Fixed Assets at March 31st, 1951	261,642		
—	*Deduct* Excess Cost of Shares in Subsidiary Companies over Nominal Value and Pre-acquisition Profits ..	212,989	48,653	
147,540				197,808
	Revenue Reserves			
104,000	General Reserve		154,000	
100,000	Stock Reserve		150,000	
10,000	Staff Superannuation Reserve		15,000	
112,216	Profit and Loss Account		168,012	
326,216				487,012
620,756				831,820
148,745	**Reserve for Future Income Tax**			166,563
	Outside Shareholders			
34,192	Interest of Outside Shareholders in Capital and Reserves of Subsidiary Companies			73,042
	Current Liabilities and Provisions			
299,907	Sundry Creditors, Accrued Charges, and Current Taxation		335,429	
17,325	Proposed Dividend less Income Tax ..		16,538	
317,232				351,967
£1,120,925				£1,423,392

1950 Adjusted £		£	£
	Fixed Assets		
	Land, Buildings, Boilers, Machinery, Plant, etc.:		
	(*a*) Mill Properties at 40 per cent of Professional Valuations dated March 31st, 1951	334,593	
	(*b*) Cottages and Motor Vehicles, at Cost	8,209	
		342,802	
	Deduct Depreciation on amounts stated at:		
	(*a*) Above .. .. .. —		
	(*b*) Above £3,972		
		3,972	
46,404			338,830
	Excess Cost of Shares in Subsidiary Companies over Nominal Value and Pre-acquisition Profits	212,989	
216,739	Deducted from Surplus on Revaluation of Fixed Assets per contra	212,989	—
	Investments, at Cost less amount written off:		
	Quoted (Market Value £6,595) ..	7,000	
	Unquoted	16,700	
18,564			23,700
	Current Assets		
426,874	Stocks as certified by Companies' Officials..	645,853	
106,725	Sundry Debtors and Prepayments, less Provision for Doubtful Debts ..	195,186	
—	Tax Reserve Certificates	25,000	
28,099	Bills Receivable	10,276	
277,520	Cash in Transit, at Bankers, and in hand	184,547	
839,218			1,060,862
£1,120,925			£1,423,392

Notes.
Capital Expenditure Commitments are estimated at £7,000.
There is a contingent liability (estimated at Nil) on Bills negotiated totalling £9,356.

CORRESPONDENCE

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Speed in Production of Monthly Accounts

SIR, – Regarding Mr G. F. Brown's letter and your invitation under the above heading in last week's issue, it may be of interest that our monthly accounts are made up to the last Saturday and are usually completed on the twelfth day. With some little sacrifice in accuracy, the time taken could be reduced by two, and possibly three, days, but this is not considered worth while.

Reserves are made for every significant charge not yet rendered.

We have 1,100 employees.

Yours faithfully,

Nottingham. ROBERT LOWE, F.C.I.S.

Accounting for Inflation

SIR, – While subscribing to the orthodox view that profit should continue to be calculated by reference to historical rather than replacement costs, I would not deny that traditional accounting principles have been found wanting in the light of recent experience.

A profit that is boosted by inflation is none the less a profit, but it is a distorted one, and proprietors should not be allowed to remain ignorant of the extent of the distortion. But for the fact that we have come to regard inflation as neither exceptional nor non-recurring, one would imagine this information to be required under paragraph 14 (6) of the Eighth Schedule.

Those attempts at disclosure which have so far been made have usually taken the form of charging to profit and loss or appropriation account, transfers to replacement or stock reserves, which may or may not be accurately calculated, and may or may not be recognized by the shareholder as the element of inflation included in the trading results. Would not

the facts be stated with greater clarity by bringing down the orthodox net profit figure in two parts? For example:

Net profit for the year:	£
Based on current replacement costs ..	90,000
Excess attributable to fluctuation in price levels	10,000
	£100,000

The appropriations could then be examined in the light of this information. One would normally expect to find transfers to replacement and similar reserves at least equal to the price-fluctuation element of the profit, but this is a matter which should be dictated by policy, and should not be confused with the separate function of keeping the shareholder informed as to the composition of his company's profit balance.

The technique of analysing profit in the manner I have suggested would obviously call for study and development, but I think the broad principles are clear. It would, I feel sure, prove no more cumbersome than some of the methods recently adopted by public companies in their attempts to deal with the problem of inflation in their accounts.

Yours faithfully,

London, EC3. L. H. CLARK.

Pension Schemes

SIR, – Can any of your readers who are familiar with pension schemes let me have some idea of the difference in cost between the following methods of providing for pensions: (*a*) private fund; (*b*) insured scheme based on without profit endowment assurance policy?

I have heard it stated that the cost under (*b*) is fantastic. Can anyone tell me how fantastic and how to measure the excessive cost?

Yours faithfully,

UNDERDONE.

Comparative Figures: Companies Act, 1948, 8th Schedule, Part I, 11 and 14 (5)

SIR, – It is rather curious to notice that the interpretation of the above sections has given rise to no discussion or difference of opinion among accountants. Judging by the accounts periodically published in this paper of the application of the sections, there appears to be a unanimity of opinion as to their meaning. But has sufficient thought been given to the subject?

Turning to the sections it seems that all they require is a statement of the 'corresponding amounts' for 'all items shown' in the balance sheet and/or profit and loss account. Quite definitely the sections do not require a full reprint of last year's figures, for this is the interpretation apparently placed on the sections. It is only 'comparative' figures that need be given, that is, figures in this year's account having a 'corresponding amount' in last year's figures.

The Act appears to have in mind that what the shareholders of a company are likely to require is a statement of, firstly, this year's figures and, secondly, the corresponding figure in last year's accounts. The progress is to be from the present to the past, not from the past to the present.

Many published accounts give last year's items that have no 'corresponding amount' in this year's figures, that is, progress from the past to the present; this is neither informative nor is it a requirement of the Act. If some only of last year's figures are given, the last year's column 'will not agree', but is it necessary it should or is it only a requirement of that tidiness of mind for which accountants are justly proud?

It is worth a thought.

Yours faithfully,

London, EC2. E. HARMAN.

Purchase Tax: Stock Problem

SIR, – We wonder if any of your readers have the same difficulties as we have in connexion with the stock of a high-class boot and shoe dealer.

We are presented every year with stock sheets of purchase-tax goods which were bought some considerable time ago, but which our client cannot sell for various reasons, the principal one being that they are out of fashion. But he has still to keep on buying this purchase-tax stuff because, being a high-class shop, he still has customers who are willing to pay the price, provided the article is in fashion. And he is compelled to buy considerable quantities of these goods in order to have variety. He is therefore in the position where stock is always accumulating and yet he has to keep on purchasing.

We cannot very well fall back on the old formula of cost or market price whichever is the lower, because the market price of this old stock is really more than its cost price. We are told that this old stuff might sell at its proper price and that, on the other hand, it might almost have to be given away – such are the vagaries of fashion.

If any of your readers can help us with their experience as to how such stock should be valued, we should be very much obliged.

Yours faithfully,

DANDS.

Theatre and Cinema Managers: Salaries

SIR, – We are anxious to obtain some guidance as to the present average rates of salary being paid to general managers of theatres, both in London and in the Provinces, and average rates of salary paid to managers of cinemas in London and the Provinces. If any of your readers who are interested in the theatrical profession can give us any guidance as to this matter, we shall be very much obliged.

Yours faithfully,

HAMLET.

THE ROYAL COMMISSION

SOCIAL SECURITY AND INCOME TAX

The Royal Commission on the Taxation of Profits and Income held its first public meeting at 11 Carlton House Terrace, SW1, on Thursday, June 21st. The subject under discussion was item A.2 of the heads of evidence on which representations have been invited,[1] namely, whether it would be advantageous to link income-tax with social security payments and contributions. It was fitting that the first witness to be heard was Lady Rhys-Williams whose name is prominently associated with this idea; indeed, she was the originator of it.

Lady Rhys-Williams

The Chairman (Lord Justice Cohen) said that the Commission had read the memorandum which Lady Rhys-Williams had submitted, and some of the members had read her book. He invited her, before answering questions, to address the Commission generally on that memorandum. Witness dealt with criticisms which she had received and stressed that her present scheme was different from a previous one put forward by her and was less likely to be disincentive in effect. As it did not abolish the employer's contribution to social insurance, it could not be said to effect a complete fusion of social insurance with income-tax, but it still had great merits. Administrative simplification was not a main aim of the scheme, it was merely a by-product. It was desirable to link all welfare expenditure of the State in one great insurance scheme which was run on an income basis, financed by a flat-rate tax of 4*s*, or possibly 4*s* 6*d*, in the £.

It was wrong to restrict the social insurance scheme as such to a very limited range of benefits – little more than those given by the 1911 scheme – other welfare expenditure such as food subsidies and the health service should be brought in. Moreover, it should be less harsh in its operation, for example, it should not require an expectant mother to work for forty-five weeks to become entitled to an attendant's allowance, regardless of whether she was fit to work or not.

The present P.A.Y.E. system, apart from its steeply progressive and disincentive nature, was too complicated for the ordinary person. The mixing of anti-inflation measures with orthodox methods of raising revenue was confusing and caused a sense of injustice which brought tax evasion in its train. The present system of putting a heavy poll tax on the lowest-paid worker forced up wages and was therefore to some extent inflationary.

Social Advantages of the Scheme

The scheme tended to transfer income from the wage earner to what witness called 'the caterer', i.e. to the wife or other person in the home who was responsible for meals. It was these persons who suffered most from inflation, for although an increase in cost of living brought higher wages, there was a time lag before that was reflected in housekeeping allowances. That was why the Chancellor had to keep raising the taxes on drink, tobacco and entertainments, in order to find the money for food subsidies and the like. It was socially desirable for allowances for a wife and her children to be paid direct to her, but it was not an essential part of the scheme. The unemployment allowance would soon be inadequate; persons who had to depend on it would be obliged to apply for public assistance as well. Therefore the National Assistance Board could more conveniently deal with the payment of unemployment allowances.

The Chairman went through some criticisms which the Board of Inland Revenue had made about certain statistics in witness's memorandum, which witness did not entirely accept. He said that the merging of tax on incomes over £600 with sur-tax would mean more tax returns to fill up, but witness pointed out that there would be fewer returns, since those with an income below £600 would be excluded.

Mr Millard Tucker thought that the payment of weekly allowances to everyone, employed and unemployed alike, would be an enormous administrative task. Moreover, there would be the danger that some would sell the coupons which entitled them to draw the allowances. Witness replied that shops would be happy to act as sub-post offices and pay the allowances, while the war years and children's allowances had shown that women entitled to allowances did not in fact sell them. She had no doubt that in any case the selling of allowances could be prevented by administrative action. The Inland Revenue had invented P.A.Y.E. and carried it through; a department which could achieve that could achieve anything.

Professor Hicks pointed out the disincentive tendency of a flat-rate tax on the many million workers who now paid no income-tax at all. There could only be a redistribution of the existing burden by the scheme, unless it also achieved very large savings in administrative costs.

Mr Kaldor, another member of the Commission, did not see the social advantage of making weekly payments to people who were already working, except possibly as a credit against tax payable by them. In reply to further questions, witness said that she would dispose of the present surplus of the social insurance fund; it was wrong to use it as an instrument of fiscal policy. Witness did not think it was possible to bring education inside her scheme, although that was unfortunate.

The first day closed with an exchange between witness and Mr Millard Tucker about the merits of P.A.Y.E. In reply to a suggestion that P.A.Y.E. was really better understood than she made out, witness said that its chief drawback was that people did not see what they were getting in return for what they paid. Mr Millard Tucker observed that that was something we all suffered from.

Messrs A. T. Haynes and R. J. Kirton

On the morning of June 22nd, Mr A. T. Haynes, F.I.A., F.F.A., and Mr R. J. Kirton, M.A., F.I.A., answered questions on a memorandum submitted by them jointly. They agreed that their scheme reduced the spendable income of a single person in the low-income brackets,

[1] The main heads of evidence were published in *The Accountant*, January 27th, 1951.

THE ROYAL COMMISSION ON THE TAXATION OF PROFITS AND INCOME

Photo: 'The Accountant' (copyright)

. photograph taken during the public sitting of the Royal Commission on Friday, June 22nd, 1951, when hearing evidence from Mr R. J. Kirton, M.A., F.I.A., and Mr .. T. Haynes, F.I.A., F.F.A. (seated at table on left). Opposite the witnesses is the Chairman, Lord Justice Cohen, on whose right is Mr J. Millard Tucker, K.C., J.P., Mr W. S. 'arrington, F.C.A., Miss L. S. Sutherland, C.B.E., Mrs V. Anstey, D.SC., Mr J. R. Hicks, F.B.A., Mr N. Kaldor and Mr W. F. Crick. On the Chairman's left is Mr E. R. Brookes (Secretary of the Commission), Sir Geoffrey Heyworth, Mr W. J. Keswick, Sir Thomas H. Gill, J.P., and Mr George Woodcock.

but this was more than compensated by the gain to married couples. They had not considered the cost to the Treasury; the figures put forward merely illustrated the principle upon which a solvent scheme could be worked out by reference to statistics available to the Treasury. Of course, if the final scheme made every individual better off there would certainly be a charge on the Treasury, but that was a question of fiscal policy; witnesses were merely seeking to simplify, remove anomalies, and increase incentives. Mr Carrington put it to witnesses that a system of coding would still be necessary; how would they deal with pension contributions, building society interest which exceeded the Schedule A assessment, life insurance relief, and deductions for expenses such as clothing and tools? Before the employer could allow such deductions, would he not have to obtain some authority from the tax inspector? The witnesses considered that these matters were relatively unimportant; P.A.Y.E. as a whole was largely concerned with small adjustments and it was questionable whether all this work was justified.

The abolition of P.A.Y.E. would bring an enormous saving in man-power but they had not attempted to quantify it. Admittedly, a flat-rate tax on all earnings was less flexible than the present system, but that flexibility was bought dearly in terms of the man-power, not merely of civil servants but also of employers and individual taxpayers. If the scheme were adopted it would still allow the Chancellor adequate latitude to alter both the rate of tax and the amounts of the various family allowances. If the rate of tax was low there would be a 'superstructure' tax on the excess of individual incomes over a certain figure, which figure would be so fixed as to exclude the majority of people from the additional tax. This tax would be collected in arrear and therefore would be less disincentive in effect. There followed a not very illuminating discussion as to whether or not the change of basis would mean a tax holiday for the persons affected. Witnesses thought it was merely a matter of drafting. This question has already received full consideration at the Millard Tucker Committee public meetings devoted to basis of assessment.

Liberal Party Committee

In the afternoon Sir Arthur Comyns Carr, K.C., chairman of an *ad hoc* committee of the Liberal Party Executive, gave evidence. He was accompanied by Mr Alan Peacock, D.S.C., M.C., Mr Guy Naylor, M.A., Miss Nancy Seear, M.A., and Mrs Guy Naylor. He referred to the committee's scheme for the merging of social security contributions with income-tax and the replacement of income-tax personal allowances by social security payments. (This is set out in a Liberal Party Yellow Book, published at 1*s*.) Sir Arthur then dealt with a memorandum prepared by the Inland Revenue which criticized the scheme and which is not at present available to the public. Judging by his comments the memorandum should be a highly interesting document; he described it as a 'heavy broadside' and as being 'partisan'. He complained that it was misleading, suffered from misapprehensions, and contained 'an astonishing series of fallacies'. On the whole, it would seem that the Inland Revenue is concerned to argue for a retention of the *status quo*.

He stressed again the enormous saving from the abolition of cards and stamps and of the elaborate records now kept by the staff at Newcastle. As regards income-tax allowances and differing rates, the Inland Revenue itself admitted that their abolition would make ten to fifteen thousand of its employees redundant, and that was probably an underestimate. He had never claimed that the scheme would abolish disincentives, all taxes were inevitably disincentive; he thought that, on the whole, the scheme would reduce the disincentive effect but these considerations were always difficult to assess. An increase in family allowances would help to stabilize wages, for much unrest came from workers with small incomes and large families who simply could not live on their earnings. Their demands brought increases all round in the lower-income groups and reduced the margin between skilled and unskilled wages and salaries. The payment of additional allowances would not bring anything like the additional work and queueing which the Revenue feared; the machinery was already there. It was wrong to raise contributions by means of a poll tax which had no regard to ability to pay.

Next Meeting

The Chairman said he had no doubt that the Commission would have a great many questions to put to Sir Arthur Comyns Carr and his committee. He suggested that the witnesses should attend at the Commission's next meeting, which would be held on July 17th next, at 10.30 a.m., and would continue on the 18th and 19th. It was agreed that they should attend on the 18th after studying the Inland Revenue memorandum. An undertaking was given by Inland Revenue representatives present to assist Mr Peacock and Lady Rhys-Williams in the meantime with statistics at the disposal of that department.

Taxation of Capital Gains

Lord Justice Cohen made a statement at the meeting on June 22nd, 1951, with reference to item B.5 of the heads of evidence on which representations were invited by the Commission. The statement is as follows:

'It has been represented to us that one paragraph of our questionnaire may not have been fully understood in relation to capital gains. That paragraph reads as follows:

5. (*a*) Are there any kinds of profits or income which are not charged but should be; or which are charged but should not be? In particular –

(*b*) Is the present distinction between profits liable to charge and those not liable to charge as being capital profits satisfactory?

'It should be read in conjunction with the answer given by the Chancellor of the Exchequer to a question in the House of Commons on February 6th, 1951, as follows:

' "Mr Albu asked the Chancellor of the Exchequer whether he will enlarge the terms of reference of the Royal Commission on Taxation of Incomes to include consideration of taxes on capital gains.

' "Mr Gaitskell: The Royal Commission have been informed, in reply to an inquiry received from them, that their present terms of reference entitle them to consider the question of charging to income-tax or profits tax any profit ranking as a capital profit under the existing law which might reasonably be brought within the scope of those taxes.

(*Hansard*, Daily Edition, Vol. 483, No. 45, Cols. 1531–1532)." '

THE ACCOUNTANT'S RESPONSIBILITIES

THE ASSOCIATION'S CONFERENCE AT BUXTON

Three lectures were given at the annual conference of the Association of Certified and Corporate Accountants held at Buxton this week. Details of the programme for those attending the conference were given in earlier issues of *The Accountant*.[1]

The first lecture, by Mr F. B. Reynolds, F.C.I.B., was entitled 'The accountant's liability for negligence'. He began by saying that as barely one per cent of claims against accountants for negligence ever came into court, the risk was inclined to be underestimated. Many claims, in his opinion, arose because accountants failed to put in writing what they had, or had not, undertaken to do. Nearly 50 per cent of the claims were made on grounds of alleged negligence in failing to discover defalcations. Liquidations and receiverships gave rise to more than 25 per cent but although, in this instance, the number of claims was relatively high, the amounts involved were much smaller. About 10 per cent were concerned with income-tax matters and the remainder arose from a variety of causes. A curious case, quoted by Mr Reynolds, was that of an ments in which one holding of 300 shares was inadvertently given as 3,000. The client sold on this information and it subsequently cost £1,000 to buy back the 2,700 shares oversold.

Mr Reynolds pointed out that no accountant, however small his practice or however good his relations with his clients, was immune from the risk of claims and he dispelled the fallacies that liability was limited to losses incurred since the last audit and that the amount of the claim necessarily bore some relation to the size of the audit fee. He quoted two cases as examples, one where an accountant in a town of less than 20,000 inhabitants, who carried on a one-man practice with a staff of six, was sued for £100,000, and another where the amount claimed was over £28,000, although the audit fee was only 100 guineas.

After showing how modern conditions had very much increased the responsibilities of accountants, Mr Reynolds concluded by mentioning some further legal cases of interest and by describing the terms and conditions of an accountant's indemnity policy.
accountant who sent a client abroad a list of her invest-

THE ACCOUNTANT'S LOYALTIES

The second lecture, by Mr Cecil A. Newport, F.A.C.C.A., F.T.I.I., was entitled 'The accountant, the client and the Revenue'. The first proposition to keep in mind, he said, was that the accountant's responsibility, first and foremost and, indeed, all the time, was to the client. This responsibility may require him, on occasion, to refuse to comply with his client's suggestions or requests. It may also prevent the accountant from pursuing a course of action to which his client objects. If a situation arises in which the client's prohibition conflicts with what seems to be the proper fulfilment of these responsibilities, then the accountant has no option but to withdraw his services.

Where the contract is clearly between the accountant and his client, the former has no liability to third persons, nor is he normally liable in tort. There is, however, a moral duty towards third parties and no accountant could view complacently any circumstances in which his duty to his client appeared to involve him in something equivalent to the hoodwinking of outsiders.

Mr Newport suggested (i) that the position of auditor and adviser should, as far as possible, be clearly distinguished and (ii) that where tax, or other additional work outside accounting duties, is undertaken, its precise scope should, if at all possible, (*a*) be included in the terms of the contract and (*b*) be made the subject of a separate and specific charge. He classified tax work as 'disinterested', which included the routine of preparing computations, filling in returns and agreeing assessments, and 'interested', in which the accountant advised his client on the significance, from the taxation aspect, of all matters of policy. In the second of these, it was essential that the limits of service that the accountant was capable of providing should be clearly understood by the client. Mr Newport said that in his dealings with tax authorities, the accountant had a duty to see that the facts as he understood them were accurately presented or disclosed. He must never permit himself, however, to be jostled into the position of being regarded by his client merely as the 'stooge' of the Inland Revenue.

VALUATION OF ASSETS

Mr Leo Kennett, LL.D., B.COM., A.A.C.C.A., approached the subject of 'The valuation of commercial assets' from two angles – the historical and the functional. He said that the principle for the valuation of current assets – market price or cost, whichever was the lower – was evolved in the 1840's and had been maintained, almost unchanged, ever since. The principle for the valuation of fixed assets – apart from that of companies governed by the 'double account' system – was laid down in the instructions accompanying Table A of the Company Act, 1886, which stated that property should be valued at cost, less such deductions for deterioration of values as are charged to reserve or the profit and loss account.

These general principles still form the basis of current practice but the continued fall in the value of money has caused many to seek a more satisfactory form of measurement. Mr Kennett said that he did not think that a valid case had been made out for the writing-up of fixed assets in the balance sheet to their respective replacement values. What, in his opinion, was more important in a going concern, was the exact measurement of profits by homogenous accounting in the profit and loss account. He said that the problems relating to the valuation of current assets centred mainly on stock-in-trade and ended with a short

[1] Issues dated June 9th (p. 579) and June 23rd (p. 621).

description of the FIFO and LIFO methods and the circumstances in which each should be adopted.

Banquet

At the conference banquet, held on the Tuesday night, members and guests were received by the President of the Association, the Rt. Hon. Lord Latham, J.P., F.A.C.C.A. Mr W. MacFarlane Gray, F.A.C.C.A., Vice-President of the Association, proposed a toast to 'The County of Derbyshire and the Borough of Buxton', to which Colonel R. B. Turbutt and Councillor H. Hartley, J.P., B.SC.(ECON.), Mayor of Buxton, replied. 'The Association of Certified and Corporate Accountants' was proposed by Councillor Z. P. Grayson, Mayor of Derby, and the President responded. Mr T. Howard Johnson, F.A.C.C.A., Past President, Nottingham, Derby and Lincoln District Society of the Association, proposed the toast of 'The Guests', which was responded to by Mr B. L. Hallward, M.A., Vice-Chancellor, University of Nottingham, and Mr C. W. Boyce, C.B.E., F.C.A., President of The Institute of Chartered Accountants in England and Wales.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

NINTH ANNUAL GENERAL MEETING

The ninth annual general meeting of the London and District Society of Chartered Accountants was held on Thursday evening, June 21st, in the Oak Hall of the Institute; the chairman, Mr E. F. G. Whinney, M.A., F.C.A., presided.

THE CHAIRMAN: The report of the committee for 1950 having been published in *The Accountant* on May 26th, I trust that you will agree it may be taken as read. (Agreed.)

CHAIRMAN'S ADDRESS

The Chairman then delivered the following address:

Membership

The membership of the society during the period has shown a net increase of 58, the number of members at the end of the year totalling 2,255, being approximately half of the members of the Institute registered in our area. In view of the fact that there is no subscription and the benefit of membership can be obtained by writing a postcard to our honorary secretary, it is disappointing that a larger proportion of the members of the Institute do not consider it worth while joining our district society, which affords a valuable source from which the Council of the Institute can feel the pulse and gauge the wishes of the profession.

Meetings

Your committee also seek to arrange a programme providing instruction and entertainment during the year, and membership of the Society ensures the regular receipt of notices of our activities. A report of these functions nearly always appears in *The Accountant* and it may be that some members of the Institute find it more comfortable to digest the papers whilst sitting by their firesides, but I think they miss something by so doing as they fail to get the benefit of the points brought out in the discussion which follows at the conclusion of a paper. I do urge members to come to our meetings in as large numbers as possible, for we are fortunate in securing most eminent men to address us and it is a poor compliment to them if the very considerable time which they devote to the preparation of their papers is not rewarded by the attendance of a representative audience in a well-filled room.

A Year of Considerable Activity

The past year has again been one of considerable activity. The main committee and the various sub-committees have met on a number of occasions and have considered a variety of matters of current interest. In particular, I would like to call attention to the good work which is done by the Regional Taxation and Research Committee. A wide range of subjects comes before it and much time and thought are given to the preparation of memoranda for consideration by the main Taxation and Research Committee. I have no doubt that it is difficult for those submitting matters for the views of our committee always to give us adequate time for their consideration, but I would ask that, as far as possible, the holiday season should be avoided. It is not easy to obtain a representative expression of opinion on a subject at that time.

Requests for Advice

There have been requests for advice from members, which has been given, and whether it has been palatable or otherwise, it has always been appreciated. This is one side of the activities of the committee about which the members necessarily know little, but which does on occasions prove of considerable assistance to members, particularly those who are starting forth on their professional careers. We do not, of course, undertake to solve problems in connexion with an individual's professional practice, but we do give advice to articled clerks and others on matters of professional etiquette, partnership difficulties and the like. It is gratifying to the members of your committee to have been able to be of service in this way.

American Opinion

The annual report before you gives a list of the various meetings arranged for the members during the past year, and it is interesting to note that three of them were arranged with a view to keeping members in touch with current American opinion on matters of concern to accountants. In the changing world in which we live, I am sure we all agree that the hope for the survival of civilization in a form which we can tolerate is bound up with the closest possible co-operation of the English-speaking world, and that thus the more we understand our American friends and their point of view the better.

First, we had a most interesting address from Mr G. O. May on the 'Work of the American study

group on income' and we were delighted to have this opportunity of listening to one who – having qualified in this country – left these shores as a young man and has become an acknowledged leader of the profession in America. Secondly, we had a well-attended meeting with representatives of the team of accountants and managers who visited America under the auspices of the Anglo-American Council on Productivity, when they led a discussion on their report on management accounting. Thirdly, Mr Beverley Baxter was good enough to attend our annual luncheon and talk to us about his recent visit to the United States. From the expressions of appreciation that I received subsequently I am left in no doubt that the addresses were well received by members.

Other Papers

In October, Mr Rink read a paper on 'Some pitfalls in connexion with estate duty', when Mr Dillon kindly took the chair. The paper – which I have since read – was most interesting and instructive. We also had a series of addresses from men well known in their respective fields on the 'Use of published accounts'. This was a follow-up to our series of the previous year and Mr Lawson was kind enough at a later meeting to deal with such criticisms as were made, to the satisfaction of nearly all those who attended the meeting.

I would like to reiterate my thanks to all those who addressed us. I found what they had to tell us both instructive and entertaining and I trust that that view is shared by those who attended the meetings. In this connexion I also wish particularly to thank the Programme Sub-Committee for the help that they have given me during the year as well as the members of the committee and others who assisted in the discussions following the addresses. It is by their efforts that points of interest are brought out which enhance the success of a meeting. It is not usual to mention names in such connexions, but I do think that Mr Davison deserves special mention for his contributions, for, although we may not always be able to agree with him, he has called attention to and stimulated discussion on a problem that must be in the minds of us all.

The Summer Course at Oxford

There is one activity which has comparatively recently been introduced by the Institute to which I would like to call attention, namely the summer course at Oxford. This I am sure has come to stay. It is a most enjoyable and instructive function held in ideal surroundings and I would personally recommend any one who has the opportunity to attend to do so. I particularly wish to call the attention of members of our Society to the course, as I am sure that London and other centres where accountants practise in considerable numbers, are thus afforded a unique opportunity of assisting those who practise in scattered districts and who do not otherwise get the opportunity of talking over with other members of the Institute the many problems which are exercising the minds of our profession. The course has been well attended by Liverpool and other large centres; it has not been so well supported by London. It is the opportunity for informal discussion, not only of the interesting papers that are read but also of all problems which interest the accountant, which I think is the most helpful feature for all those who attend the course. Although the number who can stay in Christ Church is restricted, there is no limit to the numbers who can join as extra-mural members of the course, but for those who, like myself, have reached the stage where some sleep is essential it is not a bad thing to have to be outside the gates before midnight has finished its chime. Up to that hour one can take complete advantage of all that the course has to offer, which includes the opportunity for exercise and for visits to places of outstanding interest, besides the items on the programme of more direct interest to accountants.

Hospitality

During the year I have been able to accept the hospitality of a number of the district societies who were kind enough to ask me to attend their dinners. It is a pleasure to record that a most enjoyable evening's entertainment was provided on each occasion and signs were not lacking that our fellow societies are flourishing. In those districts that are more compact than ours it is possible to provide an intimate association and it is clear that full advantage is taken of this.

In May this year your committee, with the assistance of the London Members of the Council, entertained the President of the Institute and we were happy to be able to return hospitality to the presidents of the district societies.

Expressions of Appreciation

In conclusion I would like to thank the members of the committee for their support during my year in the chair. Their patience, forbearance and ready assistance at all times have made my year of office a very pleasant one. I am sure that the members in particular would like me to express their thanks to the three members of the committee who have retired for varying reasons for their services, which have been wholeheartedly given over a number of years. I would also like to thank most warmly the staff of the Institute for the assistance which they always so readily give us. It would not be appropriate if I did not conclude these remarks with a special tribute to our genial and efficient honorary secretary, who is never at a loss, always tolerant and full of enthusiasm, occasionally surprisingly original. He has been the greatest possible help to me and I thank him most sincerely for his unfailing support throughout the year.

Elections to the Committee

After the adoption of the annual report, the scrutineers reported that the following members have been elected to fill vacancies on the committee:

Members in practice: Messrs E. F. G. Whinney, M.A., F.C.A., W. E. Parker, C.B.E., F.C.A., and G. R. Appleyard, F.C.A.

Members employed in the service of a practising accountant: No election was necessary in this category, Mr J. Mottram, B.A., A.C.A., being the only member nominated to fill the vacancy.

Members neither in practice nor employed in the service of a practising accountant: No election was necessary in this category, Messrs A. H. Cheney, A.C.A., and A. P. Ravenhill, F.C.A., being the only members nominated to fill the two vacancies.

For the ballot 752 voting papers were returned within the allotted time, none of which was invalid.

THE SIXTH INTERNATIONAL CONGRESS ON ACCOUNTING, 1952

SUBJECTS FOR DISCUSSION

The Council of The Sixth International Congress on Accounting, 1952, announces that the following subjects will be discussed during the period of the Congress, Monday, June 16th, 1952, to Friday, June 20th, 1952. As previously announced, the sessions will be held in the halls of the Royal Horticultural Society, Westminster, London, SW1:

1. Fluctuating price levels in relation to accounts.
2. Accounting requirements for issues of capital.
3. The accountant in industry.
4. The accountant in practice and in public service.
5. The incidence of taxation.

Programme of Events

The provisional programme of events is as follows:

Monday morning: Service at Westminster Abbey, followed by tours of the Abbey. *Afternoon:* Address of welcome at Royal Horticultural Hall. *Evening:* Reception.

Tuesday morning: First session. *Afternoon:* Second session. *Evening:* Theatre entertainment for delegates and visitors.

Wednesday morning: Third session. *Afternoon:* (*a*) Fourth session; (*b*) First tour of London for ladies of delegates and of visitors. *Evening:* Banquet at Guildhall.

Thursday morning and afternoon: Visits to various places of interest. *Evening:* Dinner parties.

Friday morning: Fifth session. *Afternoon:* (*a*) Sixth session; (*b*) Second tour of London for ladies of delegates and of visitors. *Evening:* Ball.

Invitations

Invitations to attend the Congress have now been issued to accounting bodies in the following countries:

Africa, Argentine, Australia, Austria, Belgium, Bolivia, Brazil, Burma, Canada, Chile, Costa Rica, Cuba, Denmark, Ecuador, Egypt, Finland, France, Germany, Guatemala, Honduras, India, Israel, Italy, Japan, Malta, Mexico, Netherlands, New Zealand, Norway, Pakistan, Peru, Philippines, Portugal, Salvador, Spain, Sweden, Switzerland, United States, Uruguay, Venezuela.

Hosts

As already announced, the following professional organizations will be hosts:

The Institute of Chartered Accountants of Scotland, The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants in Ireland, The Society of Incorporated Accountants and Auditors, The Association of Certified and Corporate Accountants, The Institute of Municipal Treasurers and Accountants, and The Institute of Cost and Works Accountants.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

STATEMENT BY THE FIRST PRESIDENT

Mr R. G. Simpson, M.C., C.A., of Edinburgh, the President of The Institute of Chartered Accountants of Scotland, last Tuesday announced the completion of the amalgamation of the three Scottish chartered accountancy bodies.

Hitherto Scottish chartered accountants have been members of one of three bodies: The Society of Accountants in Edinburgh (incorporated by Royal Charter in 1854), The Institute of Accountants and Actuaries in Glasgow (incorporated by Royal Charter in 1855), The Society of Accountants in Aberdeen (incorporated by Royal Charter in 1867). Now they are all members of The Institute of Chartered Accountants of Scotland. Under their charters they are the only chartered accountants who are entitled to use the designation 'C.A.'.

The amalgamation has been effected by the granting to the Edinburgh Society of a Supplementary Royal Charter which changes the name of that Society to that of the new Institute and provides for the amalgamation with it of the former Glasgow and Aberdeen bodies. Although, therefore, the name of the Institute is a new one, members, who number some 5,000 and are to be found in almost every country, can take pride in the fact that they are members of the oldest body of chartered accountants in the world.

The Institute is managed by a Council which will meet alternately in Edinburgh and Glasgow. There will also be local committees in these cities and in Aberdeen and Dundee and close co-operation is also to be maintained with Scottish chartered accountants in London.

The principal objects of the amalgamation are generally to enhance still further the standing of Scottish chartered accountants (whether in professional practice or otherwise) and to strengthen the co-ordinated arrangements for the education, training by apprenticeship and examination of those seeking to qualify for admission as chartered accountants. In these respects the new Council will be able to build on foundations laid by their predecessors who served the three former bodies as office-bearers, or as members of the former Joint Committee of Councils of Chartered Accountants of Scotland, or on the General Examining Board. In addition to Mr Simpson the members of the new Council are as follows:

Sir Ian Bolton, Bt., O.B.E., D.L., J.P. (*Glasgow*); Mr John F. Carson, O.B.E.(MIL.), V.D. (*Glasgow*); Mr Charles

D. Gairdner (*Glasgow*); Sir David Allan Hay, K.B.E. (*Glasgow*); Mr Gordon J. Innes (*Aberdeen*); Professor Ian W. MacDonald, M.A. (*Glasgow*); Mr R. Ian Marshall, B.COM. (*Edinburgh*); Mr Andrew W. Mudie (*Dundee*); Mr Charles R. Munro (*Edinburgh*); Mr E. Birnie Reid, O.B.E. (*Aberdeen*); Mr John L. Somerville, F.R.S.E. (*Edinburgh*); Mr William Watson (*Edinburgh*).

At its first meeting, which has just taken place, the Council of the Institute resolved to address the following message to His Majesty the King:

'On the occasion of the completion of the amalgamation of The Society of Accountants in Edinburgh, The Institute of Accountants and Actuaries in Glasgow and The Society of Accountants in Aberdeen, the President and Members of the Council of the Institute of Chartered Accountants of Scotland, with humble duty, beg leave to express to Your Majesty on behalf of the Institute their thanks for the Supplementary Royal Charter providing for the amalgamation which it has pleased Your Majesty to grant and to assure Your Majesty of the loyalty and devotion of the Members of the Institute to Your Majesty's Throne and Person, and their earnest wish for the speedy restoration of Your Majesty's health.'

NOTES AND NOTICES

The Accountant

INDEX TO VOL. CXXIV; JANUARY–JUNE 1951

The general index to this volume – January to June 1951, Volume CXXIV – will be published with the first part of the next volume, dated July 7th, 1951. The parts of this volume should therefore not be sent for binding until the index has been added to them.

The Institute of Chartered Accountants in Ireland

EXAMINATION RESULTS

The results of the May 1951 Examinations of The Institute of Chartered Accountants in Ireland have been announced as follows:

FINAL

Passed: John Raymond Carroll, Dublin (3rd place); James Charles Roland Daly, Dublin; Donal Michael Duff, Dublin; Victor Forbes, Belfast; Robert Cochrane Irons, Ballymena, Co. Antrim; Henry Joseph Kearns, Dublin; Malachy Bernard McGrady, Downpatrick, Co. Down; Francis McKeown, Belfast; William Bernard Mulligan, Dublin; Guy Beresford Campbell Neill, Belfast (1st place – 'Arthur H. Muir Memorial Prize'); George Claude Revill, Belfast (2nd place); John Robinson, Belfast; William Desmond Rutledge, Belfast; William Desmond Sargent, Dublin. 49 *Candidates failed to satisfy examiners.*

One candidate was deferred for re-examination in one subject under Bye-law 81.

INTERMEDIATE

Passed: Leo Patrick Booth, Dublin; William John Coulson Brown, Belfast; Conor Bernard Buckley, Dublin (1st place – 'John Mackie Memorial Prize'); William Montgomery Carson, Mallusk, Co. Antrim; Maurice Albert Cole, Dublin; Denis Connolly, Banbridge, Co. Down; Michael Leonard Coppel, Belfast; James William Davis, Crossmolina, Co. Mayo; Desmond J. Dempsey, Dublin; Gerald Patrick Dempsey, Dublin; Edward John Donnelly, Dublin; Eileen M. Downes, Dublin; William Brendan Doyle, Dublin; James Joseph Fallon, Dublin; Thomas Brendan Glennon, Belfast; Robert Lindsay Henry, Newry, Co. Down; Robert Arnold Houston, Holywood, Co. Down; Brendan John Kelly, Dublin; John Joseph Kelly, Dublin; Michael Columban McGaley, Dublin (3rd place); Ian David McLerie, Carrickmacross, Co. Monaghan; Robert McNeill Mills, Belfast; Joseph Edward Mulloy, Westport, Co. Mayo; Michael John O'Keeffe, Dublin; Douglas Walter Robertson, Boyle, Co. Roscommon (2nd place); George Bernard Savage, Dublin; Charles James Smith, Dublin; Michael Joseph Sugrue, Dublin. 44 *Candidates failed to satisfy examiners.*

Personal

MR E. LIONEL BECKER, B.A.(COM.), A.C.A., principal of the firm of Messrs THURMAN, BECKER & CO, of Southport, announces that as from June 18th, 1951, he has taken over the practice of Messrs F. H. PARKINSON & CO, 1 & 2 Corporation Chambers, Corporation Street, Bolton. The practice in Bolton will continue in the name of F. H. PARKINSON & CO, and the practice in Southport will remain in the name of THURMAN, BECKER & CO.

MESSRS TANSLEY WITT & CO, chartered accountants, announce that on June 25th, 1951, they removed from Old Serjeant's Inn Chambers, 5 Chancery Lane, London, WC2, to new premises at 22–24 Ely Place, London, EC1. The telephone numbers at the new offices remain the same, HOLborn 6683–84.

MESSRS GARDINER, HUNTER & CO, chartered accountants, of Godliman House, Godliman Street, London, EC4, announce that Mr ARCHER R. HUNTER, F.C.A., retired from the partnership as on May 31st, 1951. The practice of GARDINER, HUNTER & CO will be carried on by the remaining partners, Mr FRANCIS L. BROMFIELD, F.C.A., and Mr DENYS B. GARDINER, A.C.A. Mr ARCHER R. HUNTER will continue to attend at the offices of GARDINER, HUNTER & CO as consultant to clients for whom he has been in the habit of acting personally in the past. As from July 2nd, 1951, the address of the firm will be Farleigh House, 33 Lawrence Lane, London, EC2.

MESSRS ROYCE, PEELING, GREEN & CO, chartered accountants, of 18 Lloyd Street, Manchester, 2, announce that they have secured the tenancy of the adjoining suite to their existing Lloyd Street offices, and their Corporation Street premises have consequently been vacated as from June 23rd, 1951; all communications to the firm should therefore be sent to 18 Lloyd Street. The telephone remains unchanged: Deansgate 6001 (four lines).

Professional Note

Mr I. G. Buchan, C.A., has been appointed chief accountant and local director of Samuel Osborn & Co Ltd, Steel Manufacturers, of Clyde Steel Works, Sheffield. Mr Buchan took up his appointment in May after five years on the staff of Thomson McLintock & Co Ltd, of London.

British Travel and Holidays Association

In spite of the unsettled economic and international situation, the British Travel and Holidays Association shows, in its twenty-third annual report, that a record number of overseas visitors came to Britain during the year ended March 1951. Tourist earnings rose by £16 million to £54·5 million – nearly 25 per cent above the previous year, and British carriers on international routes earned some £26·5 million in fares. There were 607,810 visitors to this country, of whom 324,932 were from European countries and 127,827 from North America – 22 per cent more than in 1949, so that tourism last year was once again this country's chief net U.S. dollar-earning export.

It is revealing to note in the report that, by contrast with the fluctuation in tourist movement from abroad, holiday travel in this country does not vary greatly from year to year. Approximately one-half of the population takes holidays – of an average length of 10½ days – away from home each year. Sixty-four per cent go to the seaside, one-quarter to inland resorts and 11 per cent to London and the large towns; about 40 per cent stay with friends and relatives.

The Association believes that festival year will see further expansion in travel so that the number of overseas visitors in 1951 may well reach 700,000.

In Parliament

CRICKETERS' COLLECTIONS: TAX

Mr KABERRY asked the Chancellor of the Exchequer why certain Inspectors of Taxes are now seeking to obtain returns from cricket club secretaries showing the amount of collections freely given by spectators at matches to mark appreciation of playing skill in a particular match; why club secretaries are now being asked to deduct tax before handing the collection to the player concerned; at what rate is the tax to be deducted; and how much tax revenue is estimated to be produced from this source.

Mr GAITSKELL: The Inland Revenue are advised that a professional cricketer who receives the proceeds of collections made whenever he reaches some specified standard of performance in a match is liable to income-tax thereon as a profit of his employment. Where the collection is handed over by the club, tax is deductible under Pay-as-you-earn by reference to the player's code number. Where this is not the case the tax will be charged in the assessment made at the end of the year and the Inspector of Taxes may need to make inquiries to ascertain the amount of the receipts. I cannot estimate how much tax may be involved.

Hansard, June 19th, 1951. Written Answers, Col. 26.

NET INCOMES

Sir T. MOORE asked the Chancellor of the Exchequer the approximate number of persons with net incomes of £2,000, £3,000, £4,000, £6,000, £8,000, £10,000, £25,000 and £50,000 per annum for the years ended March 31st, 1914, 1938, 1945 and 1950, respectively.

Mr GAITSKELL: The available information on this subject for the years 1938–39 and 1948–49 was published in Table 86 of the 92nd Report of the Commissioners of Inland Revenue. The corresponding figures for 1949–50 will be published in the next report in January. Estimates for the year 1944–45 were published in the National Income White Paper for 1945, but owing to the lack of statistical data for the war period these figures must be treated as subject to a wide margin of error. Information for the other years is not available.

Sir T. MOORE asked the Chancellor of the Exchequer the amount of net income retained by a married man after payment of income-tax and sur-tax, on earnings of £1,000, £2,000, £5,000, £10,000, £20,000, £50,000 and £100,000, respectively, in the years 1913–14, 1938–39, 1944–45 and 1950–51, also showing its purchasing value at the depreciated pound sterling, and basing the pound sterling at 20*s* in 1913–14.

Mr GAITSKELL: The following table gives the required information in the case of a married man without children:

Income (all earned)	Net Income after payment of Income Tax and Sur Tax (or Super Tax)						
	1913–14	1938–39	Equivalent in July 1914 £s*	1944–45	Equivalent in July 1914 £s†	1950–51	Equivalent in July 1914 £s‡
£	£ *s* *d*	£ *s* *d*	£	£ *s* *d*	£	£ *s* *d*	£
1,000	962 10 0	855 7 6	547	648 17 6	273	777 5 0	256
2,000	1,925 0 0	1,607 17 6	1,029	1,173 17 6	493	1,417 5 0	468
5,000	4,708 6 8	3,446 0 0	2,205	2,192 12 6	921	2,554 15 0	843
10,000	9,241 13 4	5,888 10 0	3,769	3,167 12 6	1,330	3,629 15 0	1,198
20,000	18,408 6 8	9,976 0 0	6,385	3,855 2 6	1,619	4,354 15 0	1,437
50,000	45,908 6 8	20,451 0 0	13,089	4,605 2 6	1,934	5,104 15 0	1,685
100,000	91,741 13 4	36,076 0 0	23,089	5,855 2 6	2,459	6,354 15 0	2,097

Note. – The July 1914 pound sterling is taken as a base because this is the date the cost-of-living index started.

* Based on movements in 1914 cost-of-living index.

† Based on movements in 1914 cost-of-living index up to 1938, and thereafter on movements shown in price index for all consumers' goods and services published each year in the National Income White Paper.

‡ As for † up to 1950; thereafter by reference to movements in the Interim Index of Retail Prices.

Hansard, June 19th, 1951. Written Answers, Col. 23.

Return of Rates, 1951–52

Particulars of rates levied throughout England and Wales for 1951–52 are presented in the sixth annual Return of Rates recently published by the Institute of Municipal Treasurers and Accountants. The return shows a continued upward trend in the average rates levied for the year. In county boroughs the average rate level is 20*s* 1*d* (an increase of 1*s* 5*d* over last year), in metropolitan boroughs it is 17*s* 10*d* (4*d* increase), in non-county boroughs it is 20*s* 4*d* (1*s* 7*d* increase), and in urban districts the average rate level is 20*s* – an increase of 1*s* 6*d* on the 1950–51 average figure.

There are now only four authorities whose rates are below 15*s* (the lowest being 13*s* in the County Borough of Bournemouth), while there are twelve authorities with rates of 25*s* or over (the highest being 28*s* 6*d* in the urban district of Abertillery). An analysis of the levels of rates shows that the majority now fall between 20*s* and 25*s* in the pound, whereas last year the majority were between 15*s* and 20*s*.

Social Services Statistics

Three booklets have been published jointly by the Institute of Municipal Treasurers and Accountants and the Society of County Treasurers, providing information regarding the cost of local authority social services – health, welfare and children's services.

The booklet on local health services was referred to in our issue of April 14th. That on "Children Services Statistics, 1949–50', covering sixty-one counties and eighty-three county boroughs in England and Wales, analyses the net expenditure and government grants per 1,000 population of the main children services, and presents a detailed statement of the weekly costs for each child in residential homes and nurseries.

The third booklet, entitled 'Welfare Services Statistics, 1949–50', is said to be the first such statistical return to be published since the inception of the National Assistance Act, 1948. Expenditure and grants per 1,000 population are shown for residential homes, temporary accommodation, blind persons and 'other services', and an analysis of costs per resident week, for homes provided by the authority.

The Chartered Institute of Secretaries, 1891–1951

As Sir Edward Wilshaw, K.C.M.G., J.P., President of the Chartered Institute of Secretaries, says in his foreword to this interesting book[1] of more than 200 pages, 'The development of the limited company was the greatest economic achievement of the nineteenth century', and it was as an outcome of this development that the Institute of Secretaries came into being. On October 1st this year, the Institute celebrates its diamond jubilee, and this domestic history, with its many illustrations and interesting appendices, provides an informative and memorable record of the growth of the Institute from its earliest days.

[1] *Published by the Council of the Chartered Institute of Secretaries, London, EC4.*

Corporation of Certified Secretaries

The conference of district societies representatives of the Corporation of Certified Secretaries was held in Llandudno on Friday and Saturday, June 8th and 9th, 1951, and was presided over by Alderman A. T. Pike, O.B.E., J.P., F.C.C.S., chairman of the Council.

The chairman of the Urban District Council of Llandudno, Councillor Griffith Roberts, J.P., extended a civic welcome to the Council and delegates on the Friday evening. Many matters of a domestic character relating to the district society organization were discussed and on the Saturday a Council luncheon was held at the *Grand Hotel.*

Our Weekly Problem

NO. 50: MR AND MRS L. U. SIDATE'S CRUISE

Charles had departed to report to his National Service centre. The Sidate family's old, but rather pessimistic friend, Mr U. N. Ravel, dropped in to find Mr and Mrs L. U. Sidate packing for a long cruise. Mr Sidate was rather tired of his friend's pessimism; Mr Ravel had complained that July 13th was another 'Friday the thirteenth'.

'It's not so bad,' said Mr Sidate. 'There are no more this year. Why, in some years you might have three "Friday the thirteenths".'

In which year will this next happen?

The answer appears elsewhere in this issue.

ANSWER TO NO. 49: CHARLES HAS HIS 'PAPERS'

If Mrs Sidate's speed for ribbing is $4x$ rows an hour, her normal rate is $6x$.

If $3T$ is the number of hours per day Mrs Sidate spent on her crossword, $2T$ is Aunt Mary's 'viewing' time.

If R is the number of rows of ribbing, the rest of the sock has $4\frac{1}{2}R$ rows and takes Mrs Sidate 5 days and 2 additional hours.

The equations are:

$$\frac{R}{4x} = 2 \text{ days} \times 3T$$

$$\text{and } \frac{4\frac{1}{2}R}{6x} = 5 \text{ days} \times 3T + 2$$

From these T = 1. Aunt Mary thus spent two hours each day 'viewing'.

Institute of Actuaries

ıe annual general meeting of the Institute of Actu-.es was held in the Hall of the Chartered Insurance stitute, 20 Aldermanbury, EC2, on Monday, ne 18th, the President, Mr F. A. A. Menzler, C.B.E., cupying the chair. In presenting the annual report d accounts covering the 103rd session of the stitute, the President, in a reference to the con-ued growth in the numbers of Fellows and sociates, expressed the view that the demand for uaries outside the orthodox fields of activity was ely to expand for many years to come. He referred proposals which were under consideration for tending the range of exemptions to honours iduates in appropriate subjects. Nearly two-thirds the present-day candidates for the Institute's aminations hold degrees or have passed the examin-ons for the Higher School Certificate or an inter-ediate degree. The Institute, jointly with the culty of Actuaries in Scotland, will be submitting il evidence to the Millard Tucker (No. 2) Com-ttee in support of memoranda prepared by the o bodies. Under the joint auspices of the Institute d the Faculty, much attention is being given to search into the measurement of mortality. Consider-le progress has been made in the project of prepar-; a complete series of official text-books for all rts of the Institute's examinations. The President nounced that the first meeting of the coming ssion, on Monday, October 29th, 1951, will be voted to a discussion on savings and inflation, to opened by Mr Roy Harrod, the distinguished onomist.

Mr R. G. Mallett, F.F.A., Honorary Secretary of the tuarial Society of South Africa, presented to the esident, on behalf of the Council and members of it Society, a cheque which it is intended shall be ed in due course to purchase a suitable gift for the stitute's new home.

A ballot to fill five vacancies on the Council resulted the election of Messrs R. E. Beard, N. Benz, F. M. dington, A. G. Simons and L. G. K. Starke.

ıirteenth International Actuarial Congress

ıe Thirteenth International Actuarial Congress was ld in Scheveningen from June 7th to 12th, 1951. ıe last Congress had been held in Paris in 1937. 'er 650 actuaries from 26 countries, and their lies, were present. The business meetings were voted to three main topics: 'Analysis of the financial ults of life assurance undertakings'; 'Methods of ancing social insurance'; and the 'Application of thematical statistics in insurance'. The discussions, which reached a high level, were rendered even more effective by the absence of interpretation as a result of the device of having three separate meetings, in English, French and German, in each subject. The *rapporteurs* for each language subsequently produced a brief consolidated report for the closing session. The opening meeting was notable for a striking address by Prof. Dr Lieftinck, the Netherlands Minister of Finance, on the economic aspects of social insurance. The next Congress will be held in Spain in 1954.

Cricket

THE LAW SOCIETY AND CHARTERED ACCOUNTANTS

The annual cricket fixture between the Law Society and the Chartered Accountants will be played at the Hurlingham Club on Sunday, July 8th, starting at 11.30 a.m. Visitors will be welcome, and those who would like to attend may apply for tickets to the Secretary, the Hurlingham Club, Fulham, SW6, giving their names and stating the number of tickets required. Entrance to the ground will be 4*s*; lunch will be at a cost of 7*s* and tea at 2*s*.

In a cricket match played at Hildenborough on June 14th, Miall, Harper & Co batted first and were dismissed for 26: Oakley, Wederell & Co went in to score 85 for 8 declared. It is interesting to note that last year Oakley, Wederell & Co lost by 10 wickets, this year winning by the same margin.

Recent Publications

COST ACCOUNTING FOR THE PHARMACEUTICAL INDUSTRY, report of the Costing Committee appointed by the Council of The Association of British Pharmaceutical Industry. 109 pp. $8\frac{1}{2} \times 5\frac{1}{2}$. 25*s* net. The Association of British Pharmaceutical Industry, London.

FUNDAMENTALS OF ACCOUNTING, by Harry H. Wade, B.SC., M.A., C.P.A. Third Edition. vii + 367 pp., $9\frac{1}{2} \times 6$. 38*s* net. Chapman & Hall Ltd, London.

SPECIALIZED ACCOUNTING SYSTEMS, by Henry Heaton Baily, A.M., C.P.A. Second Edition. xii + 579 pp., $9\frac{1}{2} \times 6$. 48*s* net. Chapman & Hall Ltd, London.

Our Weekly Problem

ANSWER TO NO. 50:
MR AND MRS L. U. SIDATE'S CRUISE

In a leap year, January, April and July have the same date for each day of the week; in any other year, February, March and November. In 1952 the only 'Friday the thirteenth' will be in June. In 1953 it will occur in the months of February, March and November.

[While Charles is on National Service, and Mr and Mrs L. U. Sidate are on their cruise, 'Our weekly problem' gives place to a new feature entitled 'From *The Accountant* seventy-five years ago'. – Editor.]

OFFICIAL NOTICES

Crown Agents for the Colonies

CHIEF ACCOUNTANT required by the Government of Fiji for the Public Works Department for one tour of three years. Salary payable in local currency equivalent at the present rate of exchange to £1,171 rising to £1,441 a year. Commencing salary according to age and experience. Gratuity on satisfactory completion of services of £37 10s for every 3 months' service. Free passages for officer and wife and assistance towards cost of children's passages. Liberal leave on full salary. Candidates must be members of one of the recognized bodies of professional accountants and have had recent experience in a large civil engineering establishment.

Apply at once by letter, stating age, full names in block letters, and full particulars of qualifications and experience, and mentioning this paper, to the Crown Agents for the Colonies, 4 Millbank, London, SW1, quoting M.28697.C on both letter and envelope. The Crown Agents cannot undertake to acknowledge all applications and will communicate only with applicants selected for further consideration.

North Thames Gas Board

A vacancy exists in the Products Accountant's Office at the Board's Tar and Ammonia Products Works, Beckton, London, E6. Candidates should be about 30 years of age and have passed the Intermediate examination of the Institute of Cost and Works Accountants, or hold a similar qualification. Experience of process costing and stores accounting is essential. The post offers good prospects of advancement for the successful applicant, who would be required to take part in the commercial side of the works and to co-operate closely with the production staff.

Starting salary would be within the range of £570–£650 per annum. The appointment is of a permanent nature, and pension arrangements will be discussed with short list candidates.

Applications, giving age and full particulars, should be sent to the Staff Controller, North Thames Gas Board, 30 Kensington Church Street, London, W8, quoting reference number 9958, to reach him not later than 10 days after the appearance of this advertisement.

St Ebba's and Belmont Group Hospital Management Committee

Applications are invited from persons holding a recognized accountancy qualification for the post of CHIEF ACCOUNTANCY ASSISTANT. Hospital experience, while desirable, is not essential.

The Secretary holds the appointment of Secretary/Finance Officer and therefore the person appointed will be directly responsible to the Secretary/Finance Officer for all matters appertaining to finance. He will be expected, *inter alia*, to be responsible for the whole of the financial work of the Group including the preparation of annual estimates and final accounts, and to advise on methods and reorganization.

The salary will be in accordance with Grade A.P.T. VIII (at present £685 × £25 — £760, plus £30 London weighting) and the appointment will be subject to the National Health Service (Superannuation) Regulations, 1947–50. Applications, stating age, qualifications and experience and giving the names of two referees, should be sent immediately to the Secretary of the Management Committee, Group Office, Belmont Hospital, Brighton Road, Sutton, Surrey.

The Training of Technical Teachers

Applications are invited from men and women of approximatel 25 to 40 years of age for admission to a one-year course of trainin as full-time teachers of general, commercial and profession subjects, and/or office arts (shorthand, typewriting and othe secretarial work) in Technical Colleges and similar institutions.

Applicants who wish to teach general, commercial, and pr fessional subjects should have a University Degree, or professio qualification, or a Higher National Certificate in Commerce.

Applicants who wish to teach office arts should possess high certificates of some recognized examining body in shorthand a typewriting, and should show evidence of a good gene education.

In all cases the candidate will be expected to show evidence good business or other clerical experience.

The courses will begin in September 1951. Recogniz students will be eligible for maintenance grants for the period the course.

Further particulars and application forms may be obtain from:

The Director, Huddersfield Training College, Queen Stre South, Huddersfield, Yorks;

The Director, Training College for Technical Teachers, Nort Western Polytechnic, Prince of Wales Road, London, NW5;

The Director, Bolton Training College, Manchester Roa Bolton, Lancs.

AUDIT ASSISTANT required for Islington Borough Counci Finance Department. Salary £440 × £15 to £485 p.a. plu London weighting. Applications, together with copies of tw recent testimonials, should be forwarded so as to reach th Borough Treasurer, Town Hall, Upper Street, N1, by July 6th 1951.

Manchester Corporation Waterworks

APPOINTMENT OF ASSISTANT ACCOUNTANT

Applications are invited for the appointment of ASSISTAN ACCOUNTANT at a salary in accordance with Grade A.P.T. I (£790–£910) of the National Scheme of Conditions of Service Candidates must have had experience of local governmen finance and be familiar with loan debt redemption, income tax, and the rating of public utility undertakings. Previo experience with a waterworks undertaking would be an advantag

The appointment will be to the permanent staff, and th successful applicant will be required to pass a medical examin tion, to contribute to the Manchester Corporation superannuatio fund, and to conform to the Standing Orders of the Council.

Applications stating age, experience and qualifications, an enclosing copies of two recent testimonials, should be endorse 'Assistant Accountant, Waterworks Department', and addresse to me so as to be received not later than July 16th, 1951.

Canvassing in any form is prohibited and relationship to an member of the Council or Senior Officer must be disclose in writing to me.

PHILIP B. DINGLE,
Town Clerk.

Town Hall,
Manchester, 2.
June 1951.